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YOUTH EMPLOYMENT OPPORTUNITY WAGE ACT OF 1985

HEARING

BEFORE THE

COMMITTEE ON
LABOR AND HUMAN RESOURCES
UNITED STATES SENATE

NINETY-NINTH CONGRESS

FIRST SESSION

ON

S. 797

TO AUTHORIZE AN EMPLOYER TO PAY A YOUTH EMPLOYMENT OPPORTUNITY WAGE TO A PERSON UNDER TWENTY YEARS OF AGE FROM MAY THROUGH SEPTEMBER UNDER THE FAIR LABOR STANDARDS ACT OF 1938 WHICH SHALL TERMINATE ON SEPTEMBER 30, 1987 AND FOR OTHER PURPOSES

MAY 22, 1985

ORIGINAL

Printed for the use of the Committee on Labor and Human Resources

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YOUTH EMPLOYMENT OPPORTUNITY WAGE ACT OF 1985

WEDNESDAY, MAY 22, 1985

U.S. SENATE,
COMMITTEE ON LABOR AND HUMAN RESOURCES,
Washington, DC.

The committee met, pursuant to notice, at 10:06 a.m., in room SD-430, Dirksen Senate Office Building, Senator Orrin Hatch (chairman) presiding.

Present: Senators Hatch, Thurmond, Hawkins, Pell, Nickles, Kennedy, Simon, and Metzenbaum.

OPENING STATEMENT OF SENATOR HATCH

The CHAIRMAN. Mr. Secretary, we welcome you to the committee this morning.

Our hearing this morning is devoted to a topic of vital importance to the youth of our Nation and consequently, we believe, to America's future.

This legislation, to authorize a youth opportunity wage, has the potential to create hundreds of thousands of new summer jobs for youth. That potential alone is justification for this hearing and for subsequent action by the Congress.

If we fail to test the concept that President Reagan has proposed, we are guilty of failing those young people who would have had a chance at employment as a result.

I am convinced that the youth employment opportunity wage can be a strong weapon in the war against youth unemployment. Unemployment among teenagers in this country is around 19 percent, and 42 percent among minority youth, figures which have improved only slightly in spite of an upsurge in employment overall.

We have other youth employment programs in place—efforts such as the Job Training Partnership Act, which this committee developed; Job Corps; the targeted jobs tax credit—these have all helped countless economically disadvantaged youth.

But a 10-year, $50 billion expenditure on CETA should prove that these programs cannot solve the problem alone. We need to do more, and we need to try new approaches.

We know that the minimum wage has severe adverse impact on the employment of teenagers. We know that the effect of the minimum wage is to price many jobs out of the market, particularly those jobs which typically provide youth with their work experiences. For far too many teenagers, the minimum wage has meant minimum opportunity.

Now it is time to acknowledge this fact in our public response to youth unemployment.

The youth employment opportunity wage is a simple and obvious way to address the continuing problem of youth unemployment. There is no cost to the taxpayer. There is no constraint on the teenager to accept a job at the new minimum if his or her skills, experience, or record of dependability can command a higher wage. There is no additional paperwork burden, nor a limit on the number of youth an employer may hire, as there is under the current student learner exception.

It has been estimated that this measure could create as many as 400,000 new summer jobs for youth—650,000 new jobs if some States modify their laws. I believe the economic evidence that suggests a youth opportunity wage is a valid response to this terrible national problem. But I realize that not everyone shares my faith in the market's response to this wage flexibility. Others must be shown.

That is why this particular bill calls for a 3-year test of this concept. Will this approach create jobs, or won't it? This problem has persisted too long for us to keep guessing about it. I say we ought to find out. And frankly, if this measure creates even one new job for an unemployed teenager, giving that young citizen a break in life, it will be worth the effort to enact it.

I deeply appreciate all of our witnesses being here today. I especially want to applaud the National Conference of Black Mayors, the Boys' Clubs, and SER for their bold support of this concept. You see the tragic impact of unemployment on youth every day, and your willingness to support a 3-year pilot of the youth wage is a testament to the sincerity of your concern.

I am also pleased to welcome our Labor Secretary, Bill Brock, back to the committee for his first appearance on a legislative issue since his confirmation. He has been a strong advocate for this Presidential initiative since his appointment, and I am delighted that he can be here today to present the administration's views.

Mr. Ray Denison is here with us, representing the AFL–CIO, and we welcome him this morning as well. I hope we can convince him that S. 797 successfully addresses the major concerns of our union movement so that the leadership of organized labor will join the bandwagon to enact this legislation providing hope and opportunity for our Nation's young people.

We are happy to have all of you here. We welcome you to the committee, and we look forward to this hearing.

Senator Thurmond, we will turn to you at this time.

Senator THURMOND. Thank you, Mr. Chairman.

Mr. Chairman, it is a pleasure to be here this morning to receive testimony on S. 797, the Youth Employment Opportunity Act of 1985. I want to welcome our distinguished new Secretary of Labor, Mr. Brock, Mayor Barry, Mr. Callaway, Mr. Lopez, and Mr. Denison, who are our distinguished witnesses today.

I am pleased to be an original cosponsor of this important legislation. It is my hope that Congress will finally realize that the passage of this legislation may avert a youth unemployment crisis in this country. We have no real option when the most recently available statistics clearly illustrate the gravity of this problem.

The overall unemployment rate in April 1985 was 7.3 percent. In contrast, the unemployment rate last month among black youth was 39 percent. The unemployment rate for all youth ages 16 to 19 was nearly 18 percent. This represents a total of nearly 1.5 million teenagers. Many of these young citizens will be out of school within one month. We must act promptly to encourage their prospects for employment.

This bill fairly addresses some of the concerns expressed by those who have opposed similar legislation in the past. It includes stiff penalties for those who would replace adults with subminimum wage youth. This program is limited to youth under 19 and will only apply during the summer months. It is not designed to lower the minimum wage for young people who are supporting a family or working their way through college, but is aimed at helping lesser-skilled teenagers, who need initial experience, to find summer employment.

Mr. Chairman, the unemployed youth of this country deserve the opportunity of meaningful employment this summer. This legislation will give many teenagers a chance of turning their idle summer hours into constructive remunerative activity. I do not believe we can afford to deny nearly 1.5 million unemployed youth the benefits this legislation can provide.

Regrettably, scheduling conflicts prohibit me from remaining for the entire hearing today—as you know, the defense bill is up in the Senate, and I am supposed to be there—but I look forward to reviewing the testimony of these fine witnesses.

Thank you, Mr. Chairman. If you will excuse me now, I need to go to the Floor.

The CHAIRMAN. Thank you, Senator. We certainly will.

At this time, we will turn to Senator Pell.

Senator PELL. Thank you very much, Mr. Chairman.

It is a delight to welcome the Secretary in his first appearance up here since his confirmation. I look forward to working with him for the next several years. And I look forward to hearing his testimony today on the youth subminimum wage.

Speaking as one Senator, I do have concerns regarding the effectiveness of this legislation. I believe I am correct in saying that about 1.5 million teenagers are currently earning the minimum wage. For these young people, this bill could mean a pay cut. This is a fact, I believe, must be considered seriously.

I would also like to make a couple of comments concerning the minimum wage generally, and that is that there has been no increase in the minimum wage since 1981. That would mean that the wage today, expressed in 1981 dollars, is approximately $2.60. In essence, all workers earning the minimum wage—there are over 4 million minimum wage-earners—already have earnings at a reduced minimum wage. For the minimum wage to have kept up with inflation, I believe I am correct in saying, it would have to be at approximately $4.25 an hour.

Second, when one compares the minimum wage, $3.35 an hour, to the average hourly wage in the private sector, $8.54, one can see that the minimum wage is presently about 40 percent of what the average hourly wage is in the private sector.

There are real problems concerning this legislation and I would like to see them resolved before we pass this legislation through this committee

The CHAIRMAN. Well, thank you, Senator Pell.

We will turn to Senator Hawkins at this point and then to Senator Nickles.

Senator HAWKINS. I welcome the Secretary back before our committee today, and under his stewardship, I look forward to some action and less talking over at that Department. Everybody is familiar with the statistics. We like to review them. We get out the charts. They do not get much better, for the hard-core unemployed. That is all we are talking about today, the hard-core unemployed.

I love the title: "Youth Opportunity." We also have to make it attractive to employers to employ these hard-core unemployed. It is not a problem just in the large cities, in the smokestack States. In my State of Florida, which everyone considers to be a growing, bustling, vibrant State—and we consider it to be that, also—the figure for youth unemployment parallels step for step with that of the Nation. The total youth unemployment last year in Florida was 18.9 percent. Unemployment among black teenagers was 39.6 percent. Among Hispanic youth, the unemployment rate was 11.7 percent.

No one on this committee disagrees that finding a way to help these young people find jobs is a challenge that must be met. We all have concerns. My recommendation is let's do something. Just talking does nothing but exacerbate the problem. Actions speak louder than words to these young people who are looking to this committee for some solution. It will not be perfect, because we are dealing with imperfect people on this side of the table. And I must tell you that we have to do something, Mr. Secretary, and we welcome you here today with your suggestions. And I pledge my support.

The CHAIRMAN. Thank you, Senator Hawkins.

Senator Nickles, who chairs our Labor Subcommittee.

Senator NICKLES. Thank you, Mr. Chairman. I appreciate your having this hearing today on Senate bill 797, and I appreciate also Secretary Brock's appearance today.

Mr. Chairman, just a couple of comments. Everyone, I do not care—Democrat or Republican, or liberal or conservative—is concerned about youth unemployment. It is a real problem. It is a problem that a lot of us would like to see go away, but it is not going to go away if we have Federal laws that prohibit individuals from working. And I think too many times, people confuse the minimum wage argument, and particularly the minimum wage argument as it affects young people.

Present Federal law today prohibits a young person if they want to pump gas for XYZ gas station on the corner, they cannot do it unless they are paid $3.35. Market economics dictates in many cases that a job such as that, or possibly a job carrying groceries, that that job will not pay $3.35. So the youngster who is 14 or 15 years old—I happen to have two teenagers—it is hard for the teenagers who are not able to drive, who by Federal law cannot work in an industrial plant because of hazardous conditions or whatever, they cannot really get a decent job until they are 18 or older. So right now, Federal law prohibits them from getting a job where maybe the marketplace says that it is not worth $3.35. I wish every job was worth $3.35, but in reality, that is not the case. A lot of jobs in our generation and in past generations did not pay that much. This Senator worked for less than minimum wage.

But I think that the initial job and that learning experience is very positive. I think if an individual is 14 years old and can get a job sacking groceries, or 15 years old and it is pumping gas or whatever, and maybe they are making $2.50 or $3.00, I think that is a positive thing. In particular, you will find a lot of individuals, young teenagers—and that is what we are talking about—young teenagers want to have that opportunity, they want to get that job. And if they are willing to take that job, and the employer is willing to give it to them so maybe then they can afford to buy a car when they turn 16, we in the Federal statute should not prohibit it.

The legislation that we have is, I think, a step in the right direction, and I compliment the chairman, I compliment Secretary Block for their initiative. Let us help to try and give a lot of youngsters who right now do not have that initial opportunity, who have not had that first job to learn what it means to work for a living, and have not had that opportunity to know what it means to be on time for a job, and maybe help them to get some money and get started in achieving, really, in my opinion, an educational learning experience through beginning jobs.

We have by minimum wage, I think, just priced a lot of jobs out of the marketplace. I mentioned a couple, but there are many more, and I. for one, would like to see some of these youngsters have a chance to fill some of these jobs that right now are just nonexistent.

The Chairman. Thank you, Senator Nickles.

We will at this point receive for the record a statement from Senator Grassley, and then hear from Secretary of Labor William Brock.

[The prepared statement of Senator Grassley follows:]

PREPARED STATEMENT OF SENATOR GRASSLEY

Senator **Grassley**. Mr. Chairman, I will try to be brief. Whatever our disagreements, I think everyone in this room will agree that unemployment among teenagers, particularly among minorities, is too high. Last July, the peak month of youth employment, there were almost 2 million teenagers in this country who could not find jobs. Unemployment among teenagers has been described as a national tragedy, and I fully agree with that description.

It is not possible to attribute the whole problem to only one cause and it would, therefore, be foolish to think that we will be able to devise a single cure-all solution to the problem of teenage unemployment. Government can and should continue to provide training and employment programs for teenagers to help hem to develop the job skills they need to obtain jobs.

In addition to providing training and employment opportunities, we need to examine barriers to teenage unemployment. The minimum wage is clearly a barrier to teenage employment, pricing hundreds of millions of able bodied and willing young men and women out of the job market.

The Youth Employment Opportunity Wage Act is a limited experiment to see if we can help to address the problem of teenage unemployment. It is limited to teenagers working during the summer months, it expires after 3 years, after which the Department of Labor is required to report to the Congress on its success or failure, as the case may be, finally, it preserves the protection of the minimum wage for fulltime workers for the duration of the experiment.

Mr. Chairman, I find it instructive that in fiscal year 1984 employers were authorized to provide sub-minimum wage jobs to approximately 223,500 teenagers through the student learner program and the fulltime student program. It seems to me that what we are saying through those programs is that employment at a regular job is a valuable part of students' educational experience. I think that is a very reasonable proposition. I also think it is equally reasonable to say that employment is in and of itself a valuable learning experience.

I hope we can move expeditiously to institute a youth employment opportunity wage. At the very least, we need to find out whether or not it can be part of the solution to the national tragedy of teenage unemployment.

The CHAIRMAN. We will now turn the time over to you, Secretary Brock. We welcome you again to the committee and look forward to taking your testimony at this time and assisting you in this work you have to do.

STATEMENT OF HON. WILLIAM E. BROCK III, U.S. SECRETARY OF LABOR

Secretary BROCK. Thank you, Mr. Chairman.

First, I appreciate your scheduling this hearing. This proposal has been before the Congress for some time, and I hope that this hearing represents a positive step in its final implementation.

As you have noted, the legislation has had supporters and opponents of long standing. But despite that, as Senator Hawkins and others have noted, the problem has just gotten worse every year.

I think the most dramatic chart I can show you is right over here, this middle chart on teenage unemployment rates. I just wish everybody could see this chart and think about what it implies for our country.

We have seen this problem grow almost every year since 1930. That green line, which is the nonwhite teenage unemployment rate, just comes right up, from 1930, 1940, 1950, 1960, 1970, 1980. And despite the fact that we have created 8 million jobs in the last 4 or 5 years in this country, that line has gone right up the chart.

Mr. Chairman, I just think that is unacceptable. I think it is inexcusable that we have, as a society, not adequately addressed a problem that affects our own children. That is our future, that is our hope, that is our ability to compete in the world. And that line reflects a national failure of enormous consequence.

Those young people, whether they are on the green line or the blue line, are young people who are not acquiring that first entry-level skill with which to become productive as human beings and with which to acquire that pride and self-respect that comes from personal productivity.

I do not think the numbers are really adequate to demonstrate the long-term effect on these young people. The National Bureau of Economic Research has estimated that work experience for young people is an important determinant of their wages in the first 4 years out of school. That is obvious. But it goes on to say that each year of work experience is associated with a 10- to 20-percent increase in wages that appears to be permanent—in other words, it goes on for the rest of their lives. So you are setting a pattern here of either low wage, no hope, or full productivity, pride, and self-respect.

I had an interesting conversation with a major leader of a civil rights organization, and a man for whom I have enormous respect. He told me that our window of opportunity is very narrow with these young people. He said, in effect, that by the time they are 22 or 23 years old, "they are gone"—his words. And you just think about what he said. Sixteen, 17 years old, they drop out of school. They may try to get a job for 4, 5, 6 years. They may be very persistent. But if they do not get that first job after 4, 5, or 6 years, they stop trying, and they are committed to a world of lifelong unemployment, welfare and crime, from which they will not and cannot escape.

I do not argue that the causes of the chronic youth unemployment demonstrated by the lines on this chart are coming from one source. The minimum wage may be responsible for a part of it, but it certainly is not the total cause All teenagers have more trouble finding a job, because they do not have the experience to get the jobs that more seasoned adults have. But among minorities and disadvantaged young people, the problem is acute. Many lack the basic skills to acquire an entry-level job. They often lack the social skills on how to find a job, how to get hired, and how to keep a job. Those absences present an obstacle even when the youth have the ability to handle the work. Even geography has an effect, because in too many cases, our central cities simply do not have adequate job opportunities, and many of our suburban areas are blooming with jobs. But the young people cannot get on a bus—they cannot afford it, or they do not even know how to find it. The insecurity of leaving your inner city neighborhood to go to someplace you have never seen or heard of before has to be enormously frightening for a young person in that situation. So commuting can be a barrier as well.

It seems to me that one of the keys that we are trying to address in this approach has to lie in finding a way to break that no-experience, no-work cycle. They are caught in a catch-22. They cannot get a job because they do not have the experience. They do not have any experience because they cannot get a job. What do you do? How do we break that unholy cycle? We are trying. This Congress has tried, and the administration, and previous administrations have tried. The Job Training Partnership Act, our successor to CETA, is one program that has made a difference. On Monday, we announced the allocation of $825 million to States to fund 770,000 summer youth jobs for disadvantaged youth.

These firms will ensure that a significant number of young people will get the opportunity to develop the personal, social and work skills that can serve them in life as well as in the workplace.

In all, we spent $3.2 billion last year on job training. Over $2 billion of that money was targeted to youth and will continue to be a priority as long as I have anything to say about it. But as successful as job training and work experience programs have been under JTPA, we have learned that it is not enough. Under CETA, Mr. Chairman, as you yourself noted, when billions of dollars, were being spent on job training for young people, the pattern of youth unemployment continued to spiral upward.

With so severe a problem facing us, I think it is imperative that we seek some new solutions as well. With new pressures unsustainable pressures, on the Federal budget and deficit, there is no more critical time to try something new that hopefully is more cost-effective. This is one idea—just one—but it is one that deserves to be tried. It is a proposal that confronts the youth unemployment problem in a different way. It is designed to break the no-experience, no-work cycle by providing an employer a different type of incentive to take a chance on a teenage worker who has no prior experience, to do so without Federal intervention, and without paperwork.

I think it is fair to note that while the minimum wage has not increased in real terms greatly in the last 30 years, the proportion of non-supervisory employees covered by the minimum wage has increased from 53 percent to 86 percent between 1950 and 1984. Now, this is the period of time when displacement of minority teenagers has accelerated sharply. Just look at that line—especially in those industries such as retail, trade and services, where entry-level minimum wage jobs are presently concentrated.

What we ask is a 3-year test, effectively, at about 75 percent of the present minimum wage, for those 19 and under, during the summer months—no more than that, and certainly, no less. Other than keeping normal payroll records, employers can use the special youth rate without the burden of paper that is required under other youth wage programs such as the full-time student and student learner provisions of the Fair Labor Standards Act and the Targeted Jobs Tax Credit Act.

These special programs which we already have are restricted to certain industries and to in-school participants. They carry with them several Federal requirements by employers. We would try to create jobs for all youth in all industries, including those who have dropped out of school, with a minimum burden on employers. We would prohibit the transfer, demotion or discharge of any employee for the purpose of hiring someone eligible to earn the lower wage.

Further, any young person employed during the 90 days preceding May 1 of each year, has to be paid at or above the regular minimum wage of $3.35 for the summer months as well.

I am sympathetic—and I do want to stress this—to the concerns of those who have raised questions about displacement, enforcement, or the erosion of our minimum wage laws. I honestly believe we have tried to address those concerns effectively in the proposal before you, and have said again and again that we view this as a test. It seems to me that this and other ideas at least deserve that much.

I would be delighted to consider other issues that we can test simultaneously; but whatever we do, we have got to evaluate them logically, honestly, and if they do not work, drop them. We must quit arguing about the issue as if we had some ultimate source of wisdom. None of us does. If we did, we would have solved this problem, and we tragically have failed to do that. I think that is very obvious.

It seems to me that one other point deserves note. I have heard some suggest that if we do anything, we might just try this for 1 year. I honestly believe that would be disastrous. The first summer will be a summer of acclimation. In other words, people have to know about this, and they will not at the beginning. They have to find out how it works. They have to remove the fears that they have had of other Federal problems. They have to find out that there is no paperwork and that it, in fact, is of utility. But it does seem to me that it takes a good solid 3 years of testing to find out if, in fact, the proposal has prospects for success.

I do not think it is something that you can say has not been tried elsewhere. The Netherlands, Sweden, Canada, New Zealand, and Australia, among others, all have different plans, but all based upon the same concept. We will try to draw upon their experience to use in our own limited test program.

We can gain a great deal of information when we apply this over the next 3 years.

It seems to me, I guess, the essence of my comments goes back to the first point, Mr. Chairman. We have tried everything we can think of, and it has not worked. We have 43 percent of our black children out of work, 24 percent of our Hispanic children out of work, 16 percent of our white children out of work. Those are absolutely intolerable numbers for a free society with the capacity of this country to produce good things.

It seems to me that we owe it to these young people, most of all, to try this and any other idea we think might help. It is our hope and belief that this might create as many as 400,000 new jobs. I do not know whether that is an accurate number or not. It is our best estimate. But if it is 400,000 or 600,000 or 100,000, Mr. Chairman, even 100,000 children are on the streets of the United States with no hope today, and they deserve better of us than they have been getting.

As Time magazine wrote last week in its article entitled, "Teenage Orphans of the Job Boom," if we fail to act now, we risk creating a permanent class of young adults who may never overcome the system's neglect. I thank you.

I thank you.

The CHAIRMAN. Thank you, Mr. Secretary.

[The prepared statement of Secretary Brock follows:]

STATEMENT OF
WILLIAM E. BROCK
SECRETARY OF LABOR
BEFORE THE
SENATE COMMITTEE ON LABOR AND HUMAN RESOURCES

May 22, 1985

Mr. Chairman and Members of the Committee:

Thank you for scheduling this hearing on the proposed Youth Employment Opportunity Wage legislation. This proposal has been before the Congress in several forms during the past few years, and I hope that today's hearing marks a positive step in its consideration.

The Youth Employment Opportunity Wage has had supporters and opponents of long standing. The issue has become an emotional one. Arguments in favor of or in opposition to the bill before us have often become polarized. And in the meantime, youth unemployment has worsened to the point where it has become one of our most serious national problems.

We cannot afford to allow this present trend to continue. We must begin a rational dialogue now on this legislative proposal so as to find an acceptable way to make it part of the solution to youth unemployment. I am grateful to this Committee for its continued dedication to this issue.

Despite the sustained economic recovery and substantial reductions in overall unemployment rates, unemployment among teenagers, especially minority teenagers, remains unacceptably high. While we have created more than 8 million new jobs since 1982 unemployment among young people has remained a chronic, unsolved problem.

Unemployment among black youth is more than twice as great as it is among all youth (18.9 percent) and six times as great as the unemployment rate for adults. The white youth jobless rate last year was 16 percent, compared with 23.7 percent for Hispanics and 42.7 percent for black teenagers.

In the last three decades, the gap between white and non-white youth unemployment rates has grown from virtually zero to more than 22 percentage points. The percentage of white teenagers employed has increased over the past 30 years, from 43 percent in 1954 to 48 percent in 1984. In stark contrast, the percentage of non-white teens employed has dropped sharply over the same period, from 38 percent in 1954 to 23 percent in 1984.

But these numbers don't begin to demonstrate the long-term human effects on many youth. The National Bureau of Economic Research has estimated that work experience for young people is an important determinant of wages in the first four years out of school. The study suggests that each year of work experience is associated with a 10 to 20 percent increase in wages that appears to be permanent.

Conversely, teenagers who cannot gain the work experience in the first place are often destined to drift into a netherworld of lifelong unemployment, welfare, and crime from which they will not escape. Living among the unemployed, especially in urban areas, minority and disadvantaged youth have little opportunity to find work through parents or family friends, as is often the case among suburban teenagers.

The causes of chronic youth unemployment are varied. Certainly, all teenagers tend to have more trouble finding jobs than more experienced adults. But among minorities and the disadvantaged, the problem is worse. Many lack the basic skills to handle entry level jobs. Often a lack of social skills as to how to find a job, get hired, and keep it present an obstacle even when the youth have the ability to handle the work. Even geography has had an effect, with inter-city neighborhoods losing more and more low-skilled jobs when companies move to the suburbs. Unfortunately, minority and disadvantaged youth are concentrated in downtown areas where they need the jobs. Even if a teenager has success in finding an employer, commuting to suburban jobs can present both practical and economic barriers.

The key to beginning to solve youth unemployment is to break the "no experience, no work" cycle. One part of the solution must be training. This is perhaps the best long-term answer to youth unemployment.

The Job Training Partnership Act, the successor to CETA, is one such program that has made an enormous difference. On Monday, the Administration announced the allocation of

$625 million to the states to fund 770,000 summer jobs for disadvantaged youth under the Summer Youth Employment Program portion of the JTPA. These funds will ensure that a significant number of young people will get the opportunity to develop the personal, social, and work skills that can serve them in life as well as in the market place.

The Job Training Partnership Act is a program we can all take pride in, especially the Members of this Committee and your colleagues in the House. As our experience with this program grows, we must remain responsive to how it should and can be adapted to meet evolving needs.

All in all, the Department of Labor spent more than $3.2 billion last year on job training. Over $2 billion of that money was targeted to youth and will continue to be a priority in my Department's budget.

However, as successful as job training and work-experience programs have been under JTPA, experience has proved that this cannot be our only solution to youth unemployment. Even under the Comprehensive Employment and Training Act (CETA), when billions of dollars were being spent on job training for young people, the pattern of youth unemployment continued to spiral upward.

With so severe a problem facing us, do we not owe it to ourselves and to the young people of this country to seek new solutions as well? With growing pressure on shrinking

Federal dollars, there has never been a more critical time to try new ideas.

The Youth Employment Opportunity Wage is one such idea that deserves to be tried.

It is a proposal that confronts the youth unemployment problem from a different approach. It is designed to break the "no experience, no work" cycle by providing an employer a different type of incentive to take a chance on a teenager worker who has no prior experience.

Put yourself in the place of a small business. A high school dropout with no work experience comes to see you. You might be able to use the individual but you can't afford to pay the minimum wage for a worker with no experience or skills.

Yet, if there were a wage differential for teenagers, perhaps the answer would be different--and you could give the dropout a chance. He could gain some job experience and be better able to assimilate into the adult job pool.

It should also be noted that although the minimum wage has not increased greatly in the last 30 years, the proportion of non-supervisory employees in the private sector subject to the minimum wage has increased from 53 percent of the labor force in 1950 to 86 percent in 1984. This is the period of time when displacement of minority teenagers has accelerated sharply, especially in those industries such as retail trade and services, where entry-level, minimum wage jobs are presently concentrated.

The Youth Employment Opportunity Wage is a three year, summer only test that would allow employers to pay teens age 19 and under at $2.50 an hour or about 75 percent of the Federal minimum wage of $3.35. Other than keeping normal payroll records, employers could use the special Youth Rate without the paperwork burden that is required under other youth-wage programs such as the "full time student" and "student-learner" provisions of the Fair Labor Standards Act and the Targeted Jobs Tax Credit (TJTC). These special programs are restricted to certain industries and to in-school participants, and carry with them several Federal requirements on employers. The Youth Employment Opportunity Wage would create jobs for youth in all industries, including those young people who have dropped out of school, and with minimal burdens on employers.

The Youth Employment Opportunity Wage legislation would prohibit the transfer, demotion, or discharge of any employee for the purpose of hiring an employee who is eligible to earn the lower wage. Further, any worker who is employed during the 90 days preceding May 1 of each year must be paid at or above the regular minimum wage of $3.35 an hour.

I am sympathetic to the concerns of those who have raised questions about displacement, adequate enforcement, or the possible future erosion of our minimum wage laws. The stiff statutory civil and criminal penalties of $10,000 in fines, 6 months in prison, and the payment of back wages is a direct response to these concerns, together with the proposal being only a test and being restricted only to summers.

I have stated repeatedly that the Youth Employment Opportunity Wage is a test. We can test the idea and evaluate it; if modifications are necessary, we can make them. And if it doesn't work, we will put it behind us and move on to something else. The evaluation report to Congress mandated by the proposal and the statutory date of expiration for the test program guarantees this.

But if we are truly attempting to test a new solution for youth employment, let us make it a true test.

As proposed, the Youth Employment Opportunity Wage would be only partially effective in those states where State laws dictate a minimum wage higher than $2.50 per hour but less than $3.35 per hour. These states number 13. An additional 11 states, plus the District of Columbia, have minimum wage laws which would prevent implementation of the Youth Employment Opportunity Wage in all or almost all situations.

This means that a Youth Employment Opportunity Wage would apply in full to only 26 states.

Experience has shown that new programs often require considerable time to be utilized. There is reluctance on the part of employers to become involved in Federally-sponsored pilots or tests, and awareness on the part of the general public is a function of outreach and educational efforts over time.

Thus, the first summer of the Youth Employment Opportunity Test will render limited and unbalanced results. In order to have two representative groups of data to compare and evaluate, it is crucial that the program be tested over three full summers.

I believe the Youth Employment Opportunity Wage has the potential to create as many as 400,000 new summer jobs for youth, even with state minimum wage laws remaining in effect. This would represent an increase of about 5 percent in terms of peak summer employment. Over two-thirds of these jobs, we believe, will be created in firms other than eating and drinking establishments, such as grocery stores, service stations, hotels and motels, educa-tional services, and entertainment and recreation services. The greatest benefits will be derived by the poorer, low-skilled youth.

Although it is always difficult to make country to country comparisions, it is important to note that other western democracies have made use of various youth differential wage programs as part of an overall approach to youth unemployment. By and large, these wage programs have increased employment opportunities for young people in these nations for a number of years. The Netherlands, Sweden, Canada, New Zealand, and Australia have different plans based on the same concept, and their experience can be of use to our own limited, test program.

Useful information will be gained from the proposed Youth Employment Opportunity Wage when it is applied to the Summer Youth Employment Program on a voluntary basis, as prescribed by the legislation. This will allow a greater number of young people to be hired or the same number for a longer period of time. It will also eliminate a potential conflict between the Youth Employment Opportunity Wage and the Summer Youth Program competing against each other in serving the same youth population. And it will provide the nation's mayors with the flexibility to use the Youth Wage or not use it in conjunction with the Summer Youth Program depending upon each city's own set of circumstances.

The Youth Employment Opportunity Wage has the potential to contribute significantly toward getting young people, especially minority teenagers into the job market and breaking the "no experience, no work" cycle. It is not the ultimate solution to the teenage unemployment problem, but it is a part of the solution, and it deserves to be tested.

The Youth Employment Opportunity Wage has been crafted as an experiment to be evaluated and reviewed by the Congress. It has statutory safeguards to prevent displacement and to protect young people as well. It is simple for employers to use in that it presents a paper-work-free way to job creation. Likewise, it does not require employers or employees to provide personal or potentially embarrassing information as a condition for employment.

Best of all, the Youth Employment Opportunity Wage costs no new Federal dollars.

We owe it to the young people of this country to try this idea. They will be the winners of this no-risk experiment. If we fail to have the courage to pursue the proposal, we will all be losers. As Time Magazine wrote last week in its article entitled "Teenage Orphans of the Job Boom", if we fail to act now we risk creating "a permanent class of young adults who may never overcome the system's neglect".

The CHAIRMAN. We will go by the 10-minute rule, so that everybody can ask questions.

Mr. Secretary, you have some other charts here. Would you care to explain those to us as well?

Secretary BROCK. Mr. Chairman, the first chart was simply a reiteration of the proposal, those 19 and younger, $2.50 an hour; summer month application from May 1 through September 30. There will be no Federal expenditures, no paperwork burden on business or worker, and it would expire in 3 years, on September 30, 1987, with an evaluation mandated by Congress, and it has, in our judgment, very strong safeguards to prevent abuse.

The other chart that I did not point out to you is over on the left, with the yellow bars. It shows the unemployment rate for adults at 6.7 percent—this is 1984 numbers—whites, 16 to 19 age group, 16 percent; Hispanics, 23.7, and blacks, 42.7.

The estimate of the employment effects of the Youth Employment Opportunity Wage Act, 400,000 additional private sector summer jobs each year. Of the new jobs created one-third would be in eating and drinking establishments, and one-third in other retail trade establishments. The balance would be in other service-type businesses.

The CHAIRMAN. Thank you.

One of the often-asked questions concerning this measure—and you have alluded to it yourself—is the Labor Department's ability to enforce the provisions of this bill adequately and effectively.

What assurances can you give to the committee that the experiment will be carefully monitored and that accusations of displacement or wage lowering will be promptly investigated?

Secretary **Brock**. We have people in the field every day, Mr. Chairman. They are skilled in the area. They are good people, they are competent people, and they know their work. They are in plants and offices and companies around the country. We have an active enforcement program. It would be very simple to add a light analytical task to their survey as they go into places to find out if, in fact, there is any problem.

We do not believe that the enforcement problem is insurmountable. Obviously, it will be a modest increase, but not one that we cannot handle.

The **Chairman**. Now, you have mentioned that your best estimate is that this will create 400,000 new jobs. If that is so, that is certainly a worthwhile thing to do, and I think almost everybody would admit that. But you also indicate that if certain States modified their own fair labor standards laws, that you might get as many as 650,000 jobs on a best estimate basis.

Secretary **Brock**. That is right.

The **Chairman**. Could you tell us what those estimates are based upon, what you have used to justify those figures?

Secretary **Brock**. Basically, it is sort of a regression analysis. What the various studies have done is to take the previous increases in the minimum wage and evaluate their impact on young people. And they have found that there was a significant displacement of entry-level young people on the job market when the minimum wage was increased. Therefore, the evaluation made the assumption that, were that pattern to be reversed, we could reverse the employment practice, as well. There have been any number of studies on the subject. The estimates range from a low of about 175,000 jobs created to something, as you said, well over 600,000. We took a midrange estimate as our best guess. But the commission that was created under President Carter did an evaluation, and they came to a conclusion that did not comport with the facts in their own study. They came to the conclusion that it would not have a substantial effect, and yet their own figures demonstrated that it could have an employment effect of a minimum of 1-percent and up to 5-percent increase in employment.

The **Chairman**. Now, in your testimony, you indicate some foreign nations which have tried the youth wage concept. Could you elaborate on that and what your investigation of that entailed?

Secretary **Brock**. They are trying a number of different things. The government in Holland reduced the youth wage level by an additional 10 percent in 1983, 3 percent in 1984, held constant in 1985. Sweden uses a whole variety of subminimum wages and subsidies. New Zealand—we can give you full details on this, if you wish, to the extent that we have it, and I am going to try to find out more—but in New Zealand they set a lower wage for youth. It is about 50 percent of adult wages for 15-year-olds, and 16 percent for 16-year-olds. In Canada, they have differential wage rates by Province. Australia set their wages for male youth at 58 percent of the adult rate, and females at 62 percent of the adult female rate. France's differential has not changed since 1971.

What I do not have with me and will try to find out is what analytical work has been done to demonstrate the value. But obviously, since some of these countries have had their programs for 12, 13, 14 years, they have come to the conclusion that it does in fact provide some benefit.

The **Chairman**. The AFL-CIO, in its testimony that will be given later today, cited a survey conducted by Profs. Stephen Seninger and Garth Mangum, of the University of Utah, that apparently found that of 1,000 employers in just 5 major cities, only 10 percent said that the minimum wage prevented them from hiring additional teenage workers. Now, is this finding borne out by other surveys, or what other comments do you have about that particular finding?

Secretary **Brock**. I guess it depends on who you want to survey and what you want to find out, Senator.

I have before me a survey done, I assume, by the U.S. Chamber of Commerce, and the preliminary results of this survey of 1,200 small business firms—and I do think that is where the primary effect will be, obviously; I do not think this is going to have a great effect on some of the larger international firms—but a survey of 1,200 small business people show an overwhelming support not only for the concept, but a response to the opportunity. Eighty-six percent supported it; only 8 percent opposed, and 6 percent were undecided. But of those surveyed, 49 percent of all of the small businesses indicated they would either hire youth for the first time, or would hire more youth if the law were passed.

If you look at the numbers in their survey, if a youth differential were enacted with wages at $2.50 an hour, would your company either employ youth ages 16 to 19 for the first time this summer, or employ more youth this summer—16 percent would hire them for the first time; 33 percent would hire more; 36 percent would not be affected, and 14 did not know.

And then they asked them a more important question, perhaps: What increase would there be in your summer youth employment if the differential were enacted? Thirty-one percent said 1 to 2 youth; 14 percent said 3 to 5 youth; and a very small percentage said 6 to 10, because obviously, these are small business people.

But if you think about the fact that there are 11 or 12 million businesses in this country, and all of them are small, if we even had a light application of this principle across the board, our estimates could be very conservative, and we could see a lot more jobs created than any of us could dream.

The **Chairman**. Let me just ask this question. Mr. Denison of the AFL-CIO in his written testimony states that the existing authorization for employers to pay full-time students 75 percent of the minimum wage would apply to the new youth minimum wage, possibly resulting in a wage of $2.14 rather than $2.50 for these students.

I do not read the bill this way, but I would like you to state for the record exactly what the administration position is on this and what the intention of the administration really is on this point.

Secretary **Brock**. Well, I do not read the bill that way, either, Mr. Chairman. But if there is any question whatsoever, let us be sure that the bill does not allow that. We have no interest in going below $2.50. We view this as a test for summertime only. We view it as something that we would like to try in complement to other things that we want to try. But let's be very sure about the fact that we are not trying to start any constant reduction of wage base, because that would be a mistake.

What we are trying to do is not affect the minimum wage—what we are trying to do is give these young people their first entry-level opportunity to acquire that basic skill and work habit that is necessary for lifelong productivity, and they do not have that chance today.

The **Chairman**. One last thing before my time expires, and that is this. Should we in the Congress, in a bipartisan fashion—and I think that is the only way it could occur— pass this bill, are you as Secretary of Labor and those with whom you are associated and others in the administration willing to go forth around this country and encourage businesses all over this country to make this work?

Secretary **Brock**. Absolutely. We will do our very best, and I think we can succeed.

The **Chairman**. Thank you.

We will turn to Senator Kennedy now.

Senator **Kennedy**. Well, thank you, Mr. Chairman, and welcome, Secretary Brock, to our committee. I appreciate your chairing the hearing, Mr. Chairman, focusing on the problems of youth unemployment in our society.

I want to say the Secretary comes here with, as far as I am concerned, a good deal of credibility. He has shown his good sense and good judgment by indicating to us in New England that he is going to retain the offices up there of his Department, and all of us in New England and Boston and throughout New England, Mr. Secretary, are very grateful for your insight and careful evaluation of the information which I know persuaded you to make this sound judgment.

So we welcome you to this committee and thank you for that statement.

Senator **Pell**. I join very much in those words.

Senator **Kennedy**. I appreciate very much your focus on this problem of youth unemployment in this country. I think it is a matter of enormous importance and consequence. I think that there are those on this committee who have very serious reservations about whether this particular program is really the one to deal with the kinds of flow lines that you have identified in these charts, and I want to question you a bit about your own conclusions that brought you to this position.

But I welcome the attention that you are giving to this question about how we are going to provide employment to young people in our society. For a long time, this has been a question that has not been addressed, and your energy in this area and the seriousness with which you approach it is certainly welcome, I know by me, and I am sure other members of this committee.

We are troubled, I think, just in terms of the numbers. Though I do not want to spend much time on the extrapolations of the Minimum Wage Commission in reaching these numbers, based upon really different numbers of young people who actually are in the work force. That has been referenced by other testimony. We will probably have comments by other witnesses here this morning. In other countries, for example, in Europe—the apprenticeship program includes a good deal of education and a lot of training before they ever get on track. And the Canadian experience has not been all that successful, quite frankly. As you know, there is the exemption in terms of small business that is applicable even today. It makes them exempt even from the minimum wage. So the Congress in the past, in trying to work this process out without a minimum wage has adddressed some of these other concerns.

I would be very interested, Mr. Secretary, in what leads you to believe that there are going to be the number of young people who will actually want to take these subminimum wage positions—given the fact that the economy generally has flattened out. The most recent reports that we have seen, U.S.A. Today, describe, "Help Wanted: Low-Skilled Jobs Go Begging"—a very extensive article about a national survey reporting there are even minimum wage jobs that are going begging today and that the industries which have employed the greatest numbers of young people are resorting to extraordinary inducements to retain individuals, not just at the minimum wage, but in excess of it, $5 an hour.

In the U.S.A. Today, they reviewed the problems nationally—and in my own State, they mention Wendy's International, which is a company just outside of Boston, which "buses workers and pays them for their daily 2-hour commute to two restaurants in Natick, MA, a Boston suburb. Ten workers come from the central Boston high schools, where they are in work-study programs; another 14 come from Athol, where its industry is ailing."

This article—which I would like to make a part of the record, Mr. Chairman.

The CHAIRMAN. Without objection.

[The article refered to follows:]

USA TODAY, May 8, 1985

COVER STORY

Help wanted: Low-skill jobs go begging

Fewer teens, high demand force firms to offer higher pay, college aid

By Sue Weber
USA TODAY

When you order a Big Mac and fries at a McDonald's in Alexandria, Va., you get something extra — an employment application.

It's a sign of the times.

Low-skill, minimum-wage jobs are becoming hard to fill: The number of such positions is growing at a phenomenal rate, while the teen-age population, which traditionally filled many of the jobs, is shrinking.

"It's a strong combination of demand and economic growth and shrinkage in supply. It gives you page after page of help-wanted ads screaming for people," says Mitchell Fromstein, president of Milwaukee-based Manpower Inc., which supplies temporary clerical workers worldwide.

The problem hits hardest in growing suburban areas, where new industry lures skilled and white-collar workers.

Please see COVER STORY next page ▶

Continued from 1A

"More and more jobs are located in the suburban ring around large cities. The people are not available," says Ronald Kutscher of the Bureau of Labor Statistics.

Most of the growth has been in service jobs — sales clerks, clerical workers, fast-food employees. Of 7.8 million jobs created since the recession ended in November 1982, 5 million have been low-skill. Many of these jobs pay federal minimum wage, $3.35 an hour. Some state minimums are slightly higher.

"The economy is creating jobs at a pace that outdistances the mid-'70s rebound," says Harvey Hamel, a Bureau of Labor Statistics economist.

The glut will benefit students now looking for summer work, but that's only a temporary solution for employers. Many already use temporaries. Fromstein's firm has doubled its placements in the last two years to about 80,000 a week, but can't fill about 10 percent of its USA clerical job requests.

Because of the shortage of people willing to take minimum-wage jobs — fueled by a decrease in people aged 16 to 19 from 16.6 million in 1980 to 14.5 million now — companies are working harder to attract workers:

- In Orlando, Fla. — where 500 hotel and motel jobs are going begging and another 6,000 jobs will be added this year — hotels are raising wages and have started a program to interest high school students in hotel jobs.
- Guardian Industrial Services Inc., in Marietta, Ga., buses workers from Birmingham, Ala., and Longview, Texas, to clean boilers in the Southeast.
- Phoenix, Ariz., service employers are recruiting moms at Parent-Teacher Association meetings. Jobs grew by 10 percent last year, while population rose just 4 percent.
- Burger King employees nationwide soon can earn up to $2,000 in two years for college — on top of weekly wages. The program, which starts June 1, aims to keep student workers.

Such efforts, however, add to the cost of low-skill workers.

Miami-based Burger King expects to pump $6 million to $8 million into the program during its first year. Where the program was tested, 250 percent turnover rates were halved.

It convinced Stephanie Evans, 17, a high school senior in Decatur, Ga., to return to work at a Burger King there. "It was the convenient location and the college assistance program."

She has requested a transfer to a Burger King in Savannah, where she will attend Savannah State College. Without the college aid, she says, she would have found another job.

"Between 75 percent and 85 percent of our workers are teens. We're all competing for fewer people," says Stephen Finn, Burger King vice president.

In Raleigh, N.C., the competition — despite a student labor pool from several area colleges — has caused Burger King to increase its starting pay from the minimum wage to $3.65 an hour and to offer a week of vacation for part-timers who work a year. McDonald's pays for a semester of college books for its workers who refer a person who is hired.

"In general, this is a high-tech area and the types of jobs going begging are the minimum-wage, low-skill jobs. People are not coming into the area seeking that type of work, but they are creating the demand," says Julia Clark, assistant manager of the Raleigh Job Service. Clark's office receives about 1,000 job requests monthly and can fill only half.

In Orlando, competition for hotel workers has been taken into the high schools. Rapid growth in hotel rooms — from 30,000 in 1983 to 54,000 by year end — has hotel managers from the Central Florida Hotel and Motel Association courting area schools with an Adopt-A-School program. The hotels work with career guidance departments in 70 area schools.

Recruiting can be hard even in areas with unemployment.

"For people laid off in production . . . it's a matter of personality and character. We're losing some production jobs but those individuals are not necessarily well-suited for service and sales," says George Kliefoth, manager of the Virginia Employment Commission office in Charlottesville.

But the problems remain most severe in fast-growing suburban areas, such as those around Atlanta and Boston, where job location compounds the shortage. Available workers in the urban centers can't afford transportation — if it is available — to suburban retail, food service and manufacturing jobs.

Wendy's International Inc. buses workers — and pays them for their daily two-hour commute — to two restaurants in Natick, Mass., a Boston suburb. About 10 come from central Boston high schools, where they are in work-study programs. Another 14 come from Athol, where its industry, tooling, is ailing.

"Natick is a high-tech . . . area surrounded by affluent suburbs. There are lots of sources of employment and not much of a labor pool," says Vicki Maskell, a Wendy's recruiter.

At Gwinnett Place, a shopping mall near Atlanta, some of its 136 tenants pay $5 an hour for what were minimum-wage jobs.

"Nothing in Gwinnett County is basic minimum wage. That's the situation. There are simply more jobs than people to fill them," says Charlotte Jernigan, the mall's acting manager.

The higher wages are giving area factories headaches.

Lynn Bean, employee relations manager at Exxon Corp.'s plastic bag plant in Marietta, says his company needs people willing to work shifts. With pay now the same or better at many hotels and restaurants, it's hard to attract them.

Bean is trying to add six or seven to the work force of 165: "We've been trying to fill those jobs for several months. We're all kind of scratching our heads wondering what's happening."

Senator **Kennedy**. This article is really a national survey that shows that "Even Burger King employees nationwide can soon earn up to $2,000 in 2 years for college on top of weekly wages," at the minimum wage at the present time.

I am interested in why you believe—and also, there is an article here from the Washington Post as well, with the same kinds of conclusions—why you believe that if we even move towards the subminimum wage, it is really going to have some impact on the earlier chart, which really identifies this problem of youth unemployment not to be just a general problem, which it might have been 30 years ago, which was black and white alike, but is really a minority problem—those were the flow lines that you mentioned here, and I think that is well-documented by various statistics. Why do you believe that this particular program is going to address that issue which your flow line indicates is the major problem—minority, youth—given the slowdown of the economy and given the national surveys which have been published in the last 3 weeks, indicating the problems in employing youth even at the minimum wage. What makes you believe that you can have some impact on that with your proposal?

Secretary **Brock**. Yes; I think that is a very fair question. I have seen the same articles and have taken a look at some of the backup information. There are areas of the country that are job-shy, and they are having real trouble getting people.

There was an article recently in the Washington Post about Fairfax County, which I am sure you saw, that indicated they simply cannot get enough workers out there. That is true, and I am delighted that it is true in the Boston area, and certainly, here in the Washington area. But I believe that you can look at a number of other parts of the country where it simply is not the case.

I do not suggest, Senator, that this bill is uniquely capable of solving the problem. I think it is one of the elements of a solution that we have to consider. But there are other things that we have to do, and do much better than we are doing now. The Job Training Partnership Act has to be more effective in reaching young people than it is. It is still focused more on the adults than it is on the young. We have to find a way to improve that performance.

A number of our test programs, 70,001, and Jobs for America's Graduates, things like that, are still spottily applied and not in any national sense at all are they applicable or effective.

I guess the answer to your question is that we do not view this as something that will address the problem that you mentioned in those areas. We do think that there are a lot of areas where the young people do not have any prospect for employment, where it might make a difference. And I hate to use anecdotal evidence because it is not always convincing. But if it is true that small business would in fact increase their total employment with this opportunity, it seems to me that you have the possibility at the community level that a lot of young people would get an entry-level skill opportunity they do not have today, and I think it is worth the effort to try.

We cannot prove our numbers; nobody can. We have looked at every analysis that has been done. We have tried to take a middle-ground position. We have not gone to the high estimates. But as I said earlier, I would be willing to take the low estimate, because even if we get 100,000 jobs, we will have done something for 100,000 people that is not being done today.

Senator **Kennedy**. Many studies indicate that the focus of our economy—in the most recent times, has been an expansion in the service industries, where the jobs are. Many of these studies indicate that a significant percent of those young people who have dropped out of school also, in some instances, have language as somewhat of a barrier. Opportunities for them to enter the work force are much more limited.

And I just have felt that without a component in terms of education—and I am sure you are familiar both with what Congressman Hawkins and I and others have tried to do—is to put the emphasis and stress on training and education. How are we going to keep these young people in school, how are they going to be able to get the skills, how are they going to be able to deal with the problems in terms of communication, and how are they going to develop some degree of training so they can enter the flow line for employment?

And I am just troubled—I think all of us realize we have a problem, and we have got to address it, and I think we ought to be willing to at least give consideration to various options that can demonstrate on their face that they can have some impact on youth unemployment. But it is difficult for me to really believe that their progam will have a positive impact, given the fact of the flattening of our economy, given where the new jobs are in the service industries, given the fact that many of these people do not have the skills, and do not have the training in areas where these jobs are not really possible. There is a very real danger to about 70 percent of those who are making minimum wage at the present time who are either heads of household, or 70 percent of those that are not youth who are women in our society, the margins of being able to provide for themselves and for their families are very narrow. There is a danger to those individuals potentially in terms of the loss of a job. And the Labor Department, quite frankly, Mr. Secretary, has not prosecuted under the Fair Labor Standards Act, just on the questions of minimum wage—well, I guess on the penalty provisions; maybe you can provide what they have done just generally on the minimum wage. You have less number of enforcers now; there has been a significant decline in the number of enforcement officers that you have had, certainly, since 1980. And as I say, I am just troubled by having a program which I think can have an important impact in terms of heads of households, in terms of the poor women in our society, and endanger their ability to provide for their family. I just find it is a difficult case to make that this is going to really—none of us are saying it is going to complete the problem—but really make a significant impact on it without significant risk to others in our society that are trying to provide for their families and are heads of households.

Secretary **Brock**. Let me begin by accepting the fact that I would prefer to see more emphasis in the skill development area and the training area. I do not really disagree with you. I think this would be far more effective if we had a far more effective training base, I really do, and I think that one of the things——

Senator **Kennedy**. I am not going to ask you whether you support the House or Senate budget positions on the training program. I guess the House is $1 billion more on youth training—if you want to say something hopeful, I will let you; if not, I will not press the question.

Secretary **Brock**. Let me say I appreciate the fact that both appear to be concerned about the problem. [Laughter.]

Senator **Kennedy**. OK.

Secretary **Brock**. You know, I do not think we are ever going to be able to say we are doing enough, and we have to live within the constraints and priorities that the Congress sets, and we will do that to the best of our ability. But we do need to do better. And to the extent that we can improve the training component of our youth program in total, it will make it more effective; and to the extent that we have better skills development, it would make this less necessary.

I simply say that we probably ought to be trying this, among a whole lot of other things.

On the enforcement question, it was anticipation of your support of this legislation that we kept the Boston office open, because we needed that enforcement up there to work the Boston area.

Senator **Kennedy**. You are getting to me now. [Laughter.]

My time is up, but I will submit some other questions, Mr. Chairman. I appreciate very much the attention that the Secretary has given to the general issue of youth employment, and we look forward to working with you, Mr. Secretary.

Secretary **Brock**. Thank you very much.

The **Chairman**. Thank you, Senator Kennedy.

[The prepared statement of Senator Kennedy follows:]

STATEMENT OF SENATOR EDWARD M. KENNEDY
YOUTH SUBMINIMUM WAGE

MAY 22, 1985

YOUTH UNEMPLOYMENT IS ONE PROBLEM WE HAVE LEARNED A GOOD DEAL ABOUT IN THE PAST DECADE. WE KNOW THAT PRINCIPAL CAUSES ARE DETERIORATING INNER CITY LABOR MARKETS, POVERTY AND DISCRIMINATION. WE KNOW THE SOLUTIONS ARE BETTER EDUCATION AND WORK EXPERIENCE THAT PROVIDES THE MOTIVATION TO CONTINUE WORKING. AND WE ALSO KNOW THAT THE PROBLEM CANNOT BE SOLVED WITHOUT AN INVESTMENT OF BOTH TIME AND MONEY.

WE NOW KNOW THESE THINGS BECAUSE IN 1977, A BIPARTISAN COALITION IN BOTH HOUSES OF CONGRESS PASSED LANDMARK LEGISLATION FOR PROGRAMS TO TRAIN AND EMPLOY YOUNG PEOPLE. FOUR YEARS EXPERIENCE SHOWED THAT THOSE PROGRAMS CAN WORK.

ONE OF THE MOST IMPORTANT WAS THE YOUTH INCENTIVE ENTITLEMENT PROJECT, A DEMONSTRATION PROJECT WHICH OFFERED JOBS TO POOR YOUTH IF THEY STAYED IN OR RETURNED TO SCHOOL. IT WAS CAREFULLY STUDIED AND THE RESULTS WERE SIGNIFICANT: EMPLOYMENT INCREASED, DROPOUTS CAME BACK TO SCHOOL, AND POST PROGRAM EARNINGS WERE 40 PERCENT GREATER FOR THOSE WHO PARTICIPATED.

WHEN PRESIDENT REAGAN CAME TO WASHINGTON, HE HAD A CLEAR OPPORTUNITY TO CHOOSE BETWEEN THESE PROVEN PROGRAMS AND THE UNPROVEN ECONOMIC THEORY BEHIND THE YOUTH SUBMINIMUM WAGE. HE UNFORTUNATELY CHOSE THE LATTER AND AMERICA'S YOUNG PEOPLE HAVE PAID THE PRICE.

DURING THESE PAST FOUR YEARS, YOUTH UNEMPLOYMENT HAS GOTTEN WORSE, AS OUR EFFORTS TO COMBAT IT HAVE DWINDLED TO A TRICKLE. TODAY WE ARE SPENDING A LITTLE OVER HALF OF WHAT WAS BUDGETED FOUR YEARS AGO AND EVEN LESS THAN WE WERE SPENDING DURING THE LAST YEAR OF THE FORD ADMINISTRATION.

THE YOUTH SUBMINIMUM WAGE IS A BLUNT UNTARGETED INSTRUMENT THAT CAN ONLY WORK IN THEORY. IT WILL NOT WORK IN PRACTICE BECAUSE IT IGNORES THE REAL SOURCES OF YOUTH UNEMPLOYMENT.

YEARS OF EXPERIMENT AND STUDY HAS SHOWN THAT NO AMOUNT OF WAGE SUBSIDY -- NOT EVEN 100 PERCENT -- PROVIDES SUFFICIENT INCENTIVE FOR MANY EMPLOYERS TO LEND A HAND TO THE HARD CORE UNEMPLOYED.

AND JUST LAST WEEK, WE SAW NEW EVIDENCE IN SUBURBAN WASHINGTON THAT GOOD JOBS ARE GOING BEGGING BECAUSE SUBURBAN EMPLOYERS HAVE NO INTEREST IN EMPLOYING INNER CITY YOUTH.

THESE ARE THE REASONS CONGRESS HAS REPEATEDLY REJECTED A SUBMINIMUM AND WHY NO SECRETARY OF LABOR, EVEN IN THIS ADMINISTRATION, HAS GIVEN THE PROPOSAL AN UNQUALIFIED ENDORSEMENT.

YET, DESPITE ALL THE EVIDENCE, PRESIDENT REAGAN PERSISTS IN HIS SINGLE-MINDED PURSUIT OF THIS IDEA.

I KNOW THAT SECRETARY BROCK UNDERSTANDS THE MAGNITUDE OF THE YOUTH EMPLOYMENT PROBLEM AND I AM HOPEFUL THAT UNDER HIS LEADERSHIP WE WILL SEE AN ADMINISTRATION INITIATIVE THAT BUILDS ON PAST SUCCESSES INSTEAD OF RELYING ON CURRENT FADS.

The CHAIRMAN. Senator Hawkins?

Senator HAWKINS. I noted most of the AFL-CIO's concerns have been addressed by questions by other members of this panel. I would like to ask you, do you have the information on how many States are operating the Exemplary Youth Program, which is known as title II, section 205, in JTPA?

Secretary BROCK. I do not.

Senator HAWKINS. If you do not have it with you, if you could provide that for us, that would be helpful, because that is, I think, discretionary on the State decision level. And I believe, while we are trying to get some more reliable statistics, when we do pass the subminimum wage, that it also would be helpful if you push harder to have that title II-A, section 205, operated in every State, so that we could also be gathering reliable data from States on how they are utilizing the program that is already in place.

Secretary BROCK. We will try to do that.

Senator HAWKINS. One of the many problems we address on this committee is productivity or the lack thereof of businesses in this country compared to other competing nations—which you are very familiar with, I am sure, from your recent job as USTR. Is not part of the thinking going into the subminimum wage that when you make an employer a counselor—such as, "Yes, you have to be on time," or "Yes, you have to have bus money to get here. Don't leave the night before without it"; or "Yes, you have to sweep the floor in that direction"—does take away an employer's attention from the end-product at the end of the week, which would be higher productivity than the week before?

I envision if this is passed, there may be a new position created that would teach reliability and responsibility to the youth, which is not necessarily called a skill, but is mandatory in order to keep a full-time job.

I have talked to businesses all over my State, and they say there is a direct correlation and offset between how much time they have to spend in teaching the basic R's—reliability and responsibility, in addition to reading—to compensate for having an employee that would produce less at the end of the week.

Is that one of the offsets you are considering in proposing this?

Secretary **Brock**. Absolutely. Senator, I wish every member of this committee or of the Congress could go with me to see some of the programs that work in this country. I have been trying very hard in the last 2½ weeks in this job to identify the things that work and those that do not, and why.

But one of the programs that I went to see that does in my view work—it does not address the total problem, but it is addressed only to high school seniors—is the program that we have in Memphis, TN, where 1,200 young people are given advice, counsel, support, and training in fundamental job-seeking skills: Punctuality, dress, how to do an interview, how to speak in public, as well as their normal education skills, and to see the excitement of young people who have never had any experience like this before, as they begin to get a sense of self-worth, and the capacity to be productive. The fact that that program in one city is placing 89 percent of its graduates—all of whom are identified as troublemakers, low-aptitude, low-attitude, almost hopeless cases. The average income of those families is $4,500. You cannot get any lower than that. The average family is single-parent, usually female-headed. All of the hazards to the human growth are there in full measure, and yet 89 percent of the young people are getting jobs, and 85 percent of those jobs are held at the end of the year. And perhaps of equal consequence, the job counselors, each of whom has the responsibility for 35 young people, if two-thirds of those kids do not have a job, do not get a promotion, and do not get a raise within the first year, the job counselor loses his or her job. Now, that is motivation, and it works.

But what you see is young people who have never had that opportunity to acquire those not reading and writing skills, which also we have got to do a better job with, but just fundamental human relations skills and work habits, and see how excited and productive they can be if we pay them the amount of attention that is necessary to give them that chance.

Senator **Hawkins**. Would you suggest a field trip for this committee?

Secretary **Brock**. Yes; I sure would. Well, I shouldn't do that. That is for the committee to decide. But I would love to take you or show you, or suggest places to look, after I have had a chance to identify some of the good programs. A lot of you are familiar with some Job Corps Centers that really do work. Well, I think the more people that look at these things, and we can work together on how they work and then try to expand that concept out on a more national basis, the better off we are all going to be.

Senator **Hawkins**. So what you are telling me is that there is no magic bullet; we ought to try everything.

Secretary **Brock**. Yes, ma'am, I really am—everything and anything we can think of, and then discard the ones that do not work quickly and go on to something else. But we have got to keep trying.

Senator **Hawkins**. Thank you.

The Chairman. Senator Pell?

Senator **Pell**. Thank you very much, Mr. Chairman.

Mr. Secretary, I think you very eloquently presented the dreadful tragedy regarding youth unemployment; where almost half of our young people cannot find employment. We must not forget that each young person is an individual. And, we should not mask the extent of this individual tragedy; to each family; to each individual young man or woman who cannot find a job.

The striking thing here, to me, is that, in this 5-year period since 1980, because of inflation, we have already had a decline in the minimum wage to the equivalent of $2.60 in purchasing power. And apparently, this decline in the minimum wage to about $2.60 has not had a beneficial effect. It has accompanied—not causing, but accompanied—the general rise in unemployment of youth.

Do you see what I am driving at here? Isn't there a certain inconsistency?

Secretary **Brock**. Yes.

Senator **Pell**. How would you explain this phenomenon?

Secretary **Brock**. I think there are a number of factors. First of all, when you are in a business, and it is a small business, and you do not have a large margin of profit, you have to look at relative wages and not just the absolute number in real terms of real value. You look at the fact that two people come in to you, applying for a job as a driver for your dry-cleaning shop. One of them has worked before. One of them graduated from high school. One of them has obvious basic job skills. The other one has not. But both of them are required to start at that minimum wage. It is quite possible—I think it is quite logical—that you would certainly go for the one who has graduated from high school and has done work before, beacause the money is of consequence to you. You do not have a lot flexibility.

But if our surveys are correct, and with a slight reduction of that minimum, you could pay two people instead of one so as to increase your service and increase your business, you might do that. You might take the time to train that second young person to do a job they could not earn their way in at the $3.35. So that is part of it.

Another part of it is just that this line of unemployment for young people generally, hovering overall close to 20 percent, says very frankly that that is not going to change much in the aggregate because generally, a business will hire an adult who has some experience, even at a low wage, over a young person who has none. That is not anything that the minimum wage can address at all.

What we are saying is that those young people who never get that first job by the time they are 22 or 23 will never have a job at all. That is the problem we are trying to deal with by creating a net increase in total jobs that will hopefully give them that first learning experience.

I think you are absolutely right in saying that the real wage has declined as a consequence of inflation since 1970, for anybody at the minimum wage level, all, adult and young. But you still maintain that gap between those who have experience and those who do not.

Senator Pell. And those who are black and those who are white, I might add.

Secretary Brock. Yes; and that is the ultimate tragedy that we cannot live with.

Senator Pell. Under the present law--and here I speak of section 13 of the legislation—the exemptions are tremendous that presently can be given to some industries allowing them to pay employees less than the minimum wage. For example in the food service industries, the large companies like Howard Johnsons or Burger King, those conducting business in interstate commerce must pay the minimum wage, however there is an exemption for smaller companies.

The law provides: "Any employee engaged in any retail or service establishment, the greater part of whose selling or servicing is in intrastate commerce * * *." In addition to this exemption there are a variety of other industries that may request exemptions from the minimum wage.

So what you are talking about here is a relatively small portion of the economy that would be involved; would that not be correct?

Secretary Brock. No; the minimum wage covers 86 percent of all nonsupervisory jobs in the United States. That means that seven out of eight jobs are covered. And we do not have that flexibility.

The only programs that we have that do allow for lower than minimum wage are in the full-time student program, the student learning program, and the targeted jobs tax credit, all of which have very substantial statutory and regulatory requirements for compliance that are discouraging businesses from participating as fully as we think they would otherwise.

Senator Pell. But it would not prohibit any mom and pop store, or any dry-cleaning establishment, or any restaurant not engaged in interstate commerce from being exempt as of now; wouldn't that be correct?

Secretary Brock. You know the law better than I do, Senator. I am new in this territory, so I will accept your statement.

Senator Pell. Well, I was just reading the exemptions, as I say, which include those engaged in any retail or service establishment, the greater part of whose selling or servicing is in intrastate commerce, and also any industry involved in the fishing trade.

Secretary Brock. But if that were true, why would we get such a phenomenal response of 49 percent of the small businesses surveyed who say they would hire additional people?

Senator Pell. That is what puzzles me, and I do not understand it, because they already can request an exemption from the minimum wage.

Secretary **Brock**. I am told that the exemption applies to enterprises which do less than $360,000 per year. Maybe that is part of the answer, that it is a very small exemption.

Senator **Pell**. That would be an interpretation not made by law, but made by the Secretary, wouldn't it?

Secretary **Brock**. Maybe. I do not know.

Senator **Pell**. What I am driving at is, that you have the tools in your hands now to do a great deal of what this bill seeks to do.

Secretary **Brock**. Now, Senator, you would have my head on a platter if I did this by regulation, without working with you all.

Senator **Pell**. But it has happened at times.

Secretary **Brock**. I will try not to work that way.

Senator **Pell**. There is also another exemption. The law provides that: "The administrator, to the extent necessary, in order to prevent curtailment of opportunities, shall provide for the employment of individuals whose earning capacity is impaired by age." Well, that would apply to people at the young end of the spectrum. I believe you could have another exemption there, which I would recommend for your consideration.

Secretary **Brock**. Would you support my making such a decision unilaterally?

Senator **Pell**. That, I would have to think through. But I would if it was in connection with a demonstration project where you tried it out in one area to see if it would work effectively and would have a beneficial effect.

Secretary **Brock**. You are in an area that is somewhat arcane for me. I will have to learn about it, but I will explore the concept, anyway.

Senator **Pell**. But wouldn't a demonstration project be a good idea before moving down this path you are suggesting?

Secretary **Brock**. Well, I generally like to try demonstrations where we have a very precise thing that we can measure. What would concern me, I think, about a demonstration in an area as broad as this is that you would tend to select those areas where you could prove whatever case you wanted to prove. In this case obviously, the administration would be trying to prove that it worked. And I am not sure that it would be a fair test.

I can suggest to you, Senator, that what we are proposing is a demonstration. Only 26 States would allow us to fully implement this law if it passed now, because they have their own minimum wage laws. That means 24 would not. And perhaps that would be the best test. You would have about half of the States where you would be working on it, trying it, and half that did not do it, and we could see if there was a difference in results.

Secretary **Pell**. In this case, my concern is academic, because my own State is already covered by a State minimum wage law, as you know.

Secretary **Brock**. Yes; I know.

Senator **Pell**. I have no further questions except to reiterate how glad I am that you, Mr. Secretary, are in the job you are, and to welcome you here. I am delighted that you are now taking over.

Secretary **Brock**. It is a pleasure to work with you, Senator Pell.

The **Chairman**. Thank you, Senator Pell.

Senator Simon?

Senator SIMON. Thank you, Mr. Chairman.

Mr. Secretary, we are happy to have you here, and I join in welcoming you here as Secretary.

Some years ago, I cosponsored with former Congressman Bob Cornell an amendment to a bill to increase the minimum wage, which would have permitted an 85-percent youth differential. As a member of the House, I have consistently introduced or cosponsored similar legislation. I am not opposed to the concept. There is substantial evidence that when we raise the minimum wage, we increase youth unemployment, at least temporarily.

I understand why the Conference of Black Mayors—I note that the distinguished Mayor of the District of Columbia is going to be testifying here in behalf of the legislation. In line with a question that my colleague from Rhode Island mentioned—back some years ago, Congressman Henry Reuss of Wisconsin suggested that we use six or eight States and try a youth differential experiment. His idea, it seems to me, may have some merit. I have to say that just to do it in too sweeping way, as this legislation suggests in a time of high unemployment is not wise. I have real questions about the advisability of doing that.

Where I sense we are—and I am new to the Senate but having served 10 years over in the House—I sense that the Senate may very well pass this; the House will defeat it; we will all be able to go out and make speeches, saying how we protected the American public, you can say how you tried to give jobs, and we have protected jobs so there would not be any substitution—and we will have done nothing.

Let me just suggest to you this possibility and get your reaction on it, Mr. Secretary. Let's just say this legislation ultimately meets that fate and does not go anywhere. Would you be willing to appoint an informal ad hoc group of two or three labor leaders, Lane Kirkland, Ray Denison, people whose judgment you trust, two or three people, maybe from both sides of the aisle here in the House or Senate, two or three people from the business sector, and see if we can work out some experimental things, maybe including in two or three States trying youth differential, in two or three States, trying simply a direct subsidy, in two or three States, trying an added tax deduction, and let us see what happens—whether the fears of substitution are right, whether we in fact do end up doing anything.

Now, obviously, you at this point are not going to suggest the demise of this legislation. But if that is what happens—and I think that is probably what is going to happen—would you be willing to do something like that?

Secretary BROCK. Yes. The idea has such intrinsic merit that I am not sure I would not like to begin that conversation before we even see the legislation through, either to passage or failure. But it seems to me that one of the things we really have to do, Senator, is to find a very few people who care a lot about this problem who will sit down and see how creative we can be, because I think fundamentally, the country has not really answered the question that is shown by the lines on this chart.

What do we do? We have a human problem; it is of increasing dimension. It is an intolerable circumstance, a festering wound on the body politic that cannot be continued.

I appreciate the thought, and I would welcome that sort of an exercise and will pursue it.

Senator SIMON. Well, I welcome your answer. And it seems to me that when you say we are all concerned, I think that is genuine. Labor leaders are concerned. Everybody on both sides of this issue are concerned, and we are dealing in the unknown. We are making assumptions.

Secretary BROCK. Yes; we are.

Senator SIMON. They may be accurate, they may be inaccurate. And I welcome your statement, and I would really like to see something move along that line.

I have no further questions, and I thank you, Mr. Chairman.

[The prepared statement of Senator Simon follows:]

OPENING STATEMENT OF SENATOR PAUL SIMON

I am pleased that Chairman Hatch has convened this hearing on S. 797, the Youth Employment Wage Act of 1985. Chairman Hatch's bill, which has the support of the Reagan Administration, proposes to increase youth employment (those 16-19 years old) by decreasing the minimum wage for such persons to $2.50 per hour. This youth "differential" would apply only during the period of May 1 through September 30, and only for a 3-year trial period. The legislation expressly prohibits the displacement of adult workers and currently employed youth, as well as, any reducation in the wages of already employed youth for those summer months.

Describing this bill as "youth opportunity" legislation is somewhat deceptive. As a long-time supporter of the youth differential, I feel particularly qualified to talk about the pros and cons of these proposals. Long before some of my colleagues on the Committee were elected to Congress, I supported legislation in the House -- authored by my friend, Father Bob Cornell -- to establish a youth differential wage.

Several critical factors must be considered as we evaluate the propriety of attempting to reduce youth unemployment, especially among minority youth. I believe the answers to the following questions are essential:

- Why is the unemployment rate for young people, 16-19, presently higher (23%) than for other age groups?
- Why do unemployment rates for black and Hispanic teenagers range sharply higher than the rates of white teenagers?
- What role does inadequate, inferior and incomplete education play (13% of all 17 year olds are classified as functually illiterate by the Department of Education, but these

- PERCENTAGES INCREASE TO 44% AND 56% FOR BLACK AND HISPANIC YOUTHS, RESPECTIVELY)? A RECENT STUDY BY THE CHICAGO PANEL ON PUBLIC SCHOOL FINANCES IN CHICAGO ANSWERS PART OF THE LAST QUESTION. THE STUDY FOUND THAT OF ALMOST 30,000 STUDENTS WHO ENTERED HIGH SCHOOL IN SEPTEMBER 1978, ALMOST 13,000 (JUST UNDER 43%) DROPPED OUT. BLACKS AND HISPANICS WERE MORE LIKELY TO DROP OUT -- 47% OF HISPANIC FRESHMEN IN 1978 AND 45% OF BLACK FRESHMEN DID NOT GRADUATE WITH THEIR CLASS IN 1982. WHILE THESE FIGURES ARE HIGHER THAN THE NATIONAL AVERAGE FOR DROP OUTS (27%), THEY ARE ALL TOO TYPICAL FOR LARGE URBAN SCHOOL DISTRICTS.

IN MY VIEW, IT IS UNWISE TO ATTEMPT TO SOLVE THE REAL BUT SURFACE QUESTION OF HIGH TEENAGE UNEMPLOYMENT, WITHOUT ADDRESSING THE UNDERLYING PROBLEM -- LACK OF BASIC SKILLS OR EMPLOYMENT SKILLS THAT EMPLOYERS SEEK!

IN ILLINOIS, MR. CHAIRMAN, WE ARE STILL WAITING FOR THE ECONOMIC RECOVERY. UNEMPLOYMENT IN ILLINOIS IS 8% TODAY. MANY ABLE BODIED, HARD WORKING, ADULT MEN AND WOMEN ARE READY, WILLING AND ABLE TO WORK. THEY CANNOT FIND WORK BECAUSE THEIR SKILLS ARE NO LONGER NEEDED IN DECLINING INDUSTRIES OR THEY DO NOT MEET THE SKILL REQUIREMENTS OF NEW TECHNOLOGY AND NEW INDUSTRIES. I CANNOT SUPPORT, AT THIS TIME, EVEN AN EXPERIMENT WITH THE SUBMINIMUM WAGE WHICH IS BASED ON AN UNPROVEN THEORY AND THE HOPE THAT EMPLOYERS WILL NOT TAKE ADVANTAGE OF YOUNG PEOPLE.

FINALLY MR. CHAIRMAN, I BELIEVE THE TIMING OF ANY PROPOSAL TO PROVIDE A YOUTH DIFFERENTIAL OR SUBMINIMUM WAGE IS CRUCIAL. MANY AREAS OF OUR NATION -- INCLUDING LARGE PORTIONS OF THE MIDWEST AND THE NORTHEAST -- NEED EMPLOYMENT OPPORTUNITIES FOR TRADITIONAL BLUE COLLAR WORKERS AND FOR THE RETRAINING OF DISPLACED WORKERS. EVEN MINIMUM WAGE OPPORTUNITIES FOR THESE WORKERS WOULD BE WELCOME. THE VALUE OF THE MINIMUM WAGE HAS DECLINED 20% SINCE JANUARY OF 1981. BEFORE WE ENACT ANY FORM OF YOUTH DIFFERENTIAL, WE NEED TO PUT AMERICA BACK TO WORK AT THE MINIMUM WAGE.

Secretary **Brock**. Thank you, Senator.

The **Chairman**. Thank you very much, Senator Simon. I am sorry I missed your last remarks.

Senator **Simon**. Well, you missed some real wisdom, Mr. Chairman. [Laughter.]

The **Chairman**. Well, I did not mean to. I presumed that, anyway.

Mr. Secretary, we are glad to have had you here today to present your testimony. We appreciate the efforts you have made and look forward to supporting you on this issue.

Thank you so much.

Secretary **Brock**. Thank you so much, Mr. Chairman. It is a pleasure to be with you.

The **Chairman**. Thank you.

Our next witness is the Honorable Marion Barry, Mayor of Washington, DC. Mayor Barry also serves as president of the National Conference of Black Mayors, which has endorsed the Youth Employment Opportunity Wage Act as an approach to addressing the youth unemployment problem.

Mayor Barry, we are very, very happy to have you with us today. We appreciate your efforts. We know that you have a heavy schedule, and we appreciate your taking the time to present the views of your organization. We are grateful to have you here before the committee, and Mr. Mayor, we will turn the time over to you. We will insert your prepared statement in the record.

STATEMENT OF HON. MARION BARRY, MAYOR, WASHINGTON, DC., AND PRESIDENT, NATIONAL CONFERENCE OF BLACK MAYORS

Mayor **Barry**. Thank you, Mr. Chairman and members of the Committee on Labor and Human Resources. It is really a great pleasure for me to be here with you, testifying in favor of the Equal Employment Opportunity Wage Act, S. 797.

I come in two capacities. I am here as the Mayor of the District of Columbia and also as president of the National Conference of Black Mayors, an organization which represents the 290 black mayors in 30 States across this Nation.

With me is Matthew Shannon, who is director of the District of Columbia Department of Employment Services, which has a broad range of responsibilities, including our youth training and job-seeking programs, and he is here to advise me on any technical or other aspects of what is going on now that I am not familiar with.

Let me say, Mr. Chairman and members of the committee, the National Conference of Black Mayors wrestled with this question of what do we do about youth unemployment in our cities. The chart indicates an average of 43 percent unemployment among black youth and a less amount among Hispanic youth and a less amount among white youth.

I guess the reason the mayors feel so strongly about this legislation and some other goals along with it is that we are the ones who are on the front lines every day, that these young people come to.

Fortunately, Washington is a great distance away from some of our cities, and therefore they will not or cannot come to their Senator's office or their Congressman's office unless it is part of an organized effort to bring them here. But we see them every day, and we see the lack of hope and lack of help in their faces. We see the hostility that develops because of the frustrations that set in for the lack of a job.

And therefore, 2 years ago, at our convention in St. Louis, MO—and I guess it was probably really out of frustration and desperation, because no other situations had proven to solve this problem—we passed a resolution in support of the Youth Employment Opportunity Wage Act.

Let me say, Mr. Chairman and the committee, the first version of the act had some serious problems in it. It had an age of 22. It did not have a strong sanction against employers who would substitute young people for adults. We worked with the then Secretary of Labor Donovan and the administration in fine tuning this experiment to get it to the point now that is acceptable to the majority of our members.

Not every member of our organization supports this legislation, but they support the need to do something now for the youth of our country in general and the youth of our cities in particular.

I think if you were to take and break those statistics down that the Secretary presented to you, you would find that more than likely the concentration in our cities is much higher in terms of the actual numbers of unemployed than the average number.

For instance, in Gary, IN, it is 65 percent. In Chicago, Il the State of our distinguished Senator Simon, it is over 55 percent. In the District of Columbia, it is about 48 percent.

And so we have come to this position reluctantly, but we feel that, while we applaud the efforts of others to do something differently, it has not happened. The great debate last spring about this approach—nothing happened. There was nothing substituted for it, nothing put in place of it, and we face these upset, out-of-work youngsters around the country.

Let me also say, Mr. Chairman and members of the committee, that I am fortunate in the sense that in the District of Columbia we have used some innovative approaches, including our own local taxpayers paying for young people to work, and therefore, I am in a position this summer to offer every young person in this city between the ages of 14 and 21 a summer job if they register. There will be some 23,000 jobs, compared to about 9,000 when I came in.

But every city is not fortunate to have a tax base or a resource base where citizens are prepared to spend the kind of money we are spending. We are spending some $7 million of our own local money to make this commitment. And also, we have some general support from the business community. So the problem does not affect me as greatly as it does some of my fellow mayors, because of the progressive nature of my administration and the support from our local citizens. But every time we meet, the mayors are saying to each other and to ourselves, "We need help." And we have reached the conclusion that we ought to try this experimentally. We would be opposed to any year-round application of a wage below the $3.35 minimum wage. We would be opposed to any legislation which would appear to not have any enforcement in it to prevent substitution of youth workers for adults.

It is clear from research done that this problem is getting worse, not better. You saw in the graphs and the charts the increase, not the decrease.

When you add to it the drug problem that exists in many of our large cities—and we are facing a drug epidemic in a lot of our cities, in terms of our young people using PCP and heroin and other drugs—add that to the lack of work, and you get this devastating crisis as it affects these human being.

I was listening to the testimony on the question of whether or not these young people want to work and will work for $2.50. It seems to be clear to me—as we have surveyed our mayors, obviously, every employee in this country would probably rather make more money. I have not found many yet who say, "If I am making $20,000, I do not want to make $30,000." Obviously, even some Senators may probably want to make some more money, if asked. So the question of whether one wants more is not relevant to this discussion. Obviously, they would like to make more. They would like to make more than $3.35, more than $5, more than $10.

But the reality is I was at Dunbar Senior High School when I made my announcement promising jobs to every young person between 14 and 21. There are about 300 people who attend that high school, and after the press conference was over, we had a lively discussion on the $2.50 issue, even though it would not affect me immediately, because we do not have that problem in Washington. Obviously, most of the young people said, "Mr. Mayor, we would like to have more."

And I asked the question, "If you had a choice between no job and the possibility of a job at $2.50, would you take it?" And 90 percent of the young people there raised their hands. "Yes, we are anxious to work. We are frustrated when we cannot work."

And also, Mr. Chairman and members of the committee, there are some assumptions that everybody who is out of work in our inner cities, or everybody who is out of work between the ages of 14 and 19 do not possess any skills. There are a significant number of young people who do possess skills, who could bring those skills to the marketplace, but they will not be employed by the employers. Five out of every six jobs in America are in the private sector, not in the public sector. Even in Washington, which is basically a Federal Government-based town, 6 out of every 10 jobs here are in the private sector, even though some of them are interrelated with the Federal Government.

So, we come in support of this, with the understanding that this is an experiment that will last from May 1 to September 30. The program will be evaluated as a short-term demonstration. There ought to be other things with it. We do not see this as a panacea to the unemployment problem of our youth. We need year-around solutions not only for our youth, but for our adults.

We are also supportive of the strong monitoring and enforcement components. And also, there must be increased linkage with the Targeted Jobs Tax Credit Program and the Job Training Partnership Act.

Mr. Chairman, also in terms of those who oppose this, I understand their opposition. I do not agree with it in the sense that, even though there is opposition to this, apparently, there is not enough political might or whatever you would call it to get anything else through the Congress.

I was talking to several of my labor leader friends, and 99 percent of the D.C. government's eligible workers are organized; we believe in collective bargaining, and we have an outstanding group of labor leaders here. But even some of them admit that they do not have any alternatives except to oppose this legislation.

Now, I do not think mere opposition is enough. You have to say, "Well, if this is not what we want to do, starting June 20, we can get this done this year; we can get this through the Congress, and we can get this signed by the President." I have not yet heard a proposal which seemed to have that perspective of doing so. We need help now, this summer, not a lot of discussions about what we ought to do forever and ever.

Also, Mr. Chairman, let me say that the question of substitutions always comes up. Now, let me point out that in most States, the unemployment compensation tax is based on the turnover of your employees, that is, those with the least amount of turnover end up with the least amount of revenue having to be paid into the fund, and those with the most amount of turnover are the most having to pay into the unemployment compensation fund. And I do not think employers are going to risk their overall unemployment compensation payment into the trust fund to substitute youth for adults. So I really do not think that is the major question just for the summer.

Again, we would rather have much more. But we believe that this test ought to be done. And let me reiterate, it does not imply that we support a subminimum wage for adult workers or for teenagers at any other time except during the summer months.

Also, Mr. Chairman, let me say that most States have mandatory attendance laws. Some of them are 16 years of age, some are 17, some are 18—which means that after the summer is over, even if employers wanted to keep these young people on full time at even $3.35, because it may be less than an experienced worker, they could not do it, because the States require people to go to school, and they will have different penalties for you not attending school.

So again, I think that argument of continuing the services of a younger person, less experienced, for less wages, at the expense of a more experienced person at higher wages, is not really that relevant, because we are talking about 14 years of age to 19. That was one of our objections to the 22 years of age, that that may happen.

So we come, asking for support for this legislation as an experiment. We think it is a bipartisan issue. I am personally registered as a Democrat. The great majority of our membership are Democrats. So we do not see it as a Republican or a Democrat issue, but one of jobs for our young people. We would urge the bipartisan support of members of this committee.

I applaud the work of Senator Kennedy in trying to get some other things done; and Senator Pell, who has certainly been in the forefront, work; and Senator Simon who, when he was in the Congress, was in the forefront of jobs for everybody. So we appreciate that. But we are now coming to a point of no return, where we need something now, and I think this ought to be tried. The mayors are prepared to help monitor it ourselves, to make sure that employers are doing that.

And finally, Mr. Chairman, let me say that as part of my commitment to get everyone a job in the summer who registers with our summer jobs program, between the ages of 14 and 21, we sent out 11,000 letters to employers in the District of Columbia who employ six or more persons. The response has been less than enthusiastic, and some of the responses we have gotten have indicated that, "We would do this, except that we cannot afford to hire a youngster with limited skills at $3.35 an hour and still try to keep our business going."

So it is a factor in the minds of a lot of businesses, particularly the small businesspersons, who employ 6 to 100 people. That is the area where we think we can bear the most fruit. And even if the national numbers are wrong, even if they are too high or too low, they still would generate some jobs. And finally, there has been a view that, well, inner-city young people will not get these jobs. I do not agree with that. Most of the small businesses that would be affected by this would be in the city. Only in major cities where you have a large suburban industrial manufacturing base, which you have these shops opening up, they would be mostly in the city. And also, most of the white youngsters already have jobs, according to statistics; only 16 percent do not. So I think most of these jobs will go to Hispanics and blacks and other minorities; even though it is not limited just to them, this is where the greatest problem is.

So I guess, Mr. Chairman, I would like to urge this committee to act quickly to recommend this to the Senate, and I would hope that the House would follow suit.

Thank you very, very much.

[The prepared statement of Mayor Barry follows:]

NATIONAL CONFERENCE OF BLACK MAYORS, INC.

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TESTIMONY ON THE YOUTH EMPLOYMENT OPPORTUNITY
WAGE ACT, S. 797

PRESENTED BY

THE HONORABLE MARION BARRY, JR.
MAYOR OF THE DISTRICT OF COLUMBIA
PRESIDENT OF THE NATIONAL
CONFERENCE OF BLACK MAYORS

WEDNESDAY, MAY 22, 1985

SENATE COMMITTEE ON LABOR AND
HUMAN RESOURCES
DIRKSEN SENATE OFFICE BUILDING
ROOM 430

Washington Office • 415 12th Street, NW, Suite 316, Washington, DC 20004 • (202) 628-1411

GOOD MORNING, SENATOR HATCH AND OTHER DISTINGUISHED MEMBERS OF THE COMMITTEE ON LABOR AND HUMAN RESOURCES. I AM MARION BARRY, JR., OF THE DISTRICT OF COLUMBIA AND PRESIDENT OF THE NATIONAL CONFERENCE OF BLACK MAYORS, INC., AN ORGANIZATION REPRESENTING 290 MAYORS IN 30 STATES ACROSS THIS NATION. I AM DELIGHTED TO APPEAR BEFORE YOU TODAY TO REITERATE OUR ORGANIZATION'S SUPPORT FOR THE YOUTH EMPLOYMENT OPPORTUNITY WAGE ACT.

SOME TWO YEARS AGO AT THE NATIONAL CONFERENCE OF BLACK MAYORS 10TH ANNUAL CONVENTION IN ST. LOUIS, MISSOURI, WE PASSED A RESOLUTION IN SUPPORT OF THE YOUTH EMPLOYMENT OPPORTUNITY WAGE ACT. WHILE EVERY MEMBER OF THE ORGANIZATION DOES NOT SUPPORT THIS LEGISLATION, THE ORGANIZATION FELT IT WAS WORTHY OF IMPLEMENTATION ON AN EXPERIMENTAL BASIS. YOUTH UNEMPLOYMENT HAS REACHED ALARMING RATES IN RECENT YEARS. FOR BLACK YOUTHS THE JOBLESS RATES ARE SEVERAL TIMES HIGHER THAN THE NATIONAL AVERAGE. IN MANY OF OUR CITIES AND TOWNS, YOUTH UNEMPLOYMENT IS IN EXCESS OF 50%.

IT IS CLEAR FROM RESEARCH DONE ON THE YOUTH UNEMPLOYMENT PROBLEM THAT THERE IS A SUBSTANTIAL PORTION OF THE YOUTH POPULATION THAT BEARS A HEAVY BURDEN DUE TO UNEMPLOYMENT. THERE IS A WIDENING RACIAL DIFFERENTIAL IN UNEMPLOYMENT EXPERIENCE AMONG THE TEENAGE POPULATION, PART OF WHICH IS CAUSED BY DIRECT RACE DISCRIMINATION IN THE LABOR MARKET. TEENAGE UNEMPLOYMENT HAS NEGATIVE LONG-RANGE EFFECTS ON FUTURE EMPLOYABILITY AND PRODUCTIVITY; URBAN AREAS, ESPECIALLY THE CENTRAL CITIES, EXHIBIT YOUTH EMPLOYMENT PROBLEMS TO A SIGNIFICANTLY GREATER DEGREE THAN DOES THE REST OF THE COUNTRY.

THE NATIONAL CONFERENCE OF BLACK MAYORS' SUPPORT OF THE YOUTH EMPLOYMENT OPPORTUNITY WAGE ACT IS THE RESULT OF THE PRACTICAL REALITIES OF MAINTAINING VIABLE URBAN AREAS WHICH ARE INCREASINGLY AFFECTED BY THE POVERTY EXPERIENCED BY MINORITIES, PARTICULARLY TEENAGERS.

IT IS WITHIN THIS CONTEXT THAT THE NCBM SUPPORTS A RESTRICTED, EXPERIMENTAL YOUTH OPPORTUNITY WAGE PROGRAM WITH FOUR ESSENTIAL FEATURES:

A. THE YOUTH WAGE, SEVENTY-FIVE PERCENT OF THE FULL MINIMUM WAGE, WILL APPLY TO INDIVIDUALS 16 TO 19 YEARS OF AGE BETWEEN MAY 1 AND SEPTEMBER ONLY;

B. THE PROGRAM WILL BE IMPLEMENTED AS A SHORT-TERM DEMONSTRATION PROGRAM LASTING ONLY THREE YEARS -- LONG ENOUGH TO PROVIDE INFORMATION ABOUT THE CRITICAL ISSUES OF ADULT WORKERS DISPLACEMENT, ON THE-JOB TRAINING OPPORTUNITIES, YOUTH EMPLOYMENT EFFECTS, AND INCOME DISTRIBUTION EFFECTS, YET SHORT ENOUGH TO LESSEN POLITICAL OBSTACLES TO IMPLEMENTATION OF THE LEGISLATION;

C. THE PROGRAM MUST HAVE A STRONG, EFFECTIVE MONITORING AND ENFORCEMENT COMPONENT TO RESTRICT DISPLACEMENT OF INCUMBENT ADULT WORKERS, INCLUDING CIVIL AND/OR CRIMINAL PENALTIES; AND

D. THERE MUST BE INCREASED LINKAGE WITH THE TARGETED JOBS TAX CREDIT AND JOBS TRAINING PARTNERSHIP ACT.

IT IS PROJECTED THAT SUCH A TEST PROGRAM WOULD GENERATE 400,000 JOBS FOR YOUTH IN THE SUMMER.

EVEN WITH ASSURANCES, THERE IS STILL MUCH SKEPTICISM AMONG MANY BLACK MAYORS THAT ANY RELAXING OF THE STANDARD WAGE FLOOR WILL DISPLACE ADULT WORKERS; THEREFORE, CLOSE MONITORING OF THE SUMMER TEST PROGRAM IS IMPERATIVE AND IS KEY TO THE PROGRAM'S SUCCESS OR FAILURE. IT IS ALSO RECOGNIZED THAT THE YOUTH EMPLOYMENT OPPORTUNITY WAGE ACT IS NOT THE SOLE SOLUTION TO YOUTH UNEMPLOYMENT, BUT RATHER ONE OF MANY APPROACHES WHICH IS WORTHY OF EXPLORATION. LET ME MAKE MYSELF CLEAR IN STRESSING THAT THE MAYORS' SUPPORT OF THIS TEST DOES NOT IMPLY THAT WE SUPPORT A SUBMINIMUM WAGE FOR ADULT WORKERS OR FOR TEENAGERS AT ANY OTHER TIME EXCEPT DURING THE SUMMER MONTHS. IN FACT, THE NATIONAL CONFERENCE OF BLACK MAYORS BELIEVES THAT A MINIMUM WAGE IS NECESSARY AND IN THESE DAYS OF ESCALATING COSTS IS NOT CURRENTLY HIGH ENOUGH. THE MAYORS' PRIMARY CONCERN IS TO ADDRESS YOUTH UNEMPLOYMENT AND TO HIGHLIGHT IT AS A NATIONAL PROBLEM THAT MUST BE TREATED AS A PRIORITY SO THAT WE CAN PROVIDE SOME IMMEDIATE RELIEF TO THE MILLIONS OF YOUNG PEOPLE SEEKING EMPLOYMENT THIS SUMMER.

MR. CHAIRMAN, OUR ORGANIZATION HAS COME UNDER CONSIDERABLE CRITICISM FROM OUR ASSOCIATES WHO MAINTAIN SUCH AN EXPERIMENT WOULD DISPLACE ADULT WORKERS I AM HERE TO SAY THAT A NUMBER OF YOUNG PEOPLE HAVE SAID TO MAYORS, "A JOB PAYING $2.50 AN HOUR BEATS NO JOB AT ALL." THANK YOU FOR THE OPPORTUNITY TO PRESENT THE NATIONAL CONFERENCE OF BLACK MAYORS POSITION ON THIS BILL. THIS CONCLUDES MY PREPARED REMARKS.

I WOULD BE HAPPY TO ANSWER ANY QUESTIONS YOU MAY HAVE.

THANK YOU.

The **Chairman**. Well, thank you so much, Mayor. We appreciate your testimony here today. I think one of the reasons I became so enthusiastic about this is that a young black man came up to me who could not get a job because he had no skills, he did not have an education, he left school early.

"Senator," he said, "just give me the opportunity. I do not care if I am paid at all." He said, "Just teach me how to work and teach me how to do these skills, and then I will go out and I will make more than the minimum wage."

Well, that bothered me a great deal, because I have had countless young people come up to me and say that to me in the past. I presume you have pretty well had the same experience—they would rather have a job than worry about just what exactly the wage particularly is.

Mayor **Barry**. Mr. Chairman, let me add, if we are not careful here, we are producing a generation of young people who have never held a job. And I think that is a dangerous situation for this great country of ours to be in, where you have people at 23, 24, and 25 years of age who have never held a job. I think that is just devastating to one's self-respect, it is devastating to one's inner being about himself or herself. And that is really frightening to see, and Mr. Shannon sees it all the time when people come down to apply to our training programs. They fill out the application, and you ask where they have worked, say, for the last 3 or 4 years, and they say, "Nowhere," or they say, "Little odds and ends." That is a tragedy, I think, to let this human power go to waste in this great country of ours.

The **Chairman**. Well, I really appreciate the way you have outlined your talks with the young people who would rather work for less than the minimum wage than not have a job at all and the work that you have done with your local business organizations, the Washington Board of Trade and the Private Industry Councils. We appreciate the effort that you are making to create jobs anyway, with or without this bill, but realizing this bill might help.

And of course, frankly, I support your contention that there is an urgency about this matter, and frankly, there is no shortage of studies on this concept. We have studies coming out of our ears on what to do. It is time that we do something about it. I think this problem has been studied to death. I think you are right in asking for a limited demonstration during the summer months, for a limited age group, limited to 3 years duration, and limited to those States whose own laws will permit its implementation. I just hope that all of us will consider your testimony here today and work to accommodate your request here, and that it is done in a bipartisan way, because I agree with you, this has to be a bipartisan bill.

Mayor, I just want to thank you for coming.

Let me turn to Senator Pell.

Senator **Pell**. Thank you, Mr. Chairman, very much. I join you in thanking the Mayor for being here, and I congratulate him on the job he is doing as Mayor; I am glad that my home away from home is under your jurisdiction, because you handle it very well.

Mayor **Barry**. Thank you, Senator.

Senator **Pell**. I was struck by your thought, which is so valid, that there are people who are 23, 24, and 25 who have never held a job. That is, as you suggest, a disgrace, a dreadful thing, and it should be avoided.

I have always believed in my own heart that the Government should be an employer of last resort, and that until we get there, with our kind of society, we are going to have problems. The Communist regimes can do it by fiat and mandate employment. We should at least be able to provide it. But I think that is a long way off yet—10, 20, 30 years—it may not come.

Getting to the more immediate present, that is, your problems this summer, in your government here in the District, you are one of the areas that already has a minimum wage law. Is it your intention, then, to lower your minimum wage here so that young people here will be able to take advantage of this law if it is passed?

Mayor BARRY. Well, Senator, let me say that I support your philosophy that if all else fails, then government ought to be the employer of last resort. That is why we are spending $7 million of our local money for our summer jobs.

If this passes, since we will have everyone working who wants to work in the District of Columbia, we would not want to alter that since they are working. It would affect those cities and others that do not have the resources that we have here and the commitment we have here. So we will have everybody working who wants to work this summer, and we will not face the need to try to have additional incentives to do so.

Senator PELL. So you are really here more as president of the National Conference of Black Mayors than you are as Mayor of Washington.

Mayor Barry. Yes; and I understand my fellow mayors' problems. As I said, when I came into office in 1979, there were only about 9,000 young people working and I was frustrated in trying to figure out how to do it. But I was able to get the support of the council and the citizens to put a considerable amount of our own local money in. But that is not true of 95 percent of our fellow mayors.

Harold Washington, for instance, who has great reservations about this, does not have the same resource bases and the council and the city have not provided him the money. So he will be faced with this problem much more than I am because of that situation. The same thing is true of Coleman Young in Detroit, Dick Arrington in Birmingham, or Dutch Morial in New Orleans. They have not yet been able to get the local community to be as supportive as I have been able to with this community of working out a program where young people can work, all those who want to work. So I am speaking about their cases, because we do not face that here, because of the leadership that I have tried to provide, and also because the citizens have been understanding enough to allow us to spend their taxpayers 'money for summer jobs up to $7 million.

Senator PELL. Thank you very much, and thank you for being with us.

The CHAIRMAN. Thank you, Senator Pell.

Senator Simon?

Senator SIMON. Thank you, Mr. Chairman.

First of all, I commend you, Mayor Barry. You were generous in saying you are able to do it because of the base that you have here.

But in fact, you have provided unusual leadership and I think that ought to be in the record.

Let me just add, you mentioned Mayor Harold Washington. My recollection is he is about 10,000 jobs short of where he would like to be right now, and it is a very tough situation.

With this type of legislation, even on an experimental basis, there will be areas where it will be very tough. In East St. Louis, IL, Mayor Carl Officer is doing an excellent job there, but it is just a grim situation in East St. Louis. Cairo, IL, would be another example.

I have one question, and then one comment, alluding to what my colleague from Rhode Island said. And this is a question that I have not been authorized by anyone to ask. But if Secretary Brock were to ask you to serve on an ad hoc committee to try and put together some kind of an experimental program of a more limited nature—I know you need to serve on one more committee—but would you say yes if he asked you?

Mayor Barry. Senator, since this situation is such a high priority of mine and a great concern, the answer would be yes, even though I am spread out everywhere, and trying to manage the city. But the answer would be yes.

Senator Simon. Great. And then, just one comment on what my colleague, Senator Pell, had to say, and that is, government being the employer of last resort, and you indicated support of that. I hope that we do not need to wait 10 or 20 years for that.

We have two graph lines, and my colleagues in the House have heard me talk about this before, and my colleagues in the Senate are going to hear a lot from me on this. We have two graph lines. One is, the demand for unskilled labor is going down; and the second is, the pool of unskilled labor is going up. And that means, I think, that unemployment is a permanent phenomenon in our society.

Now, I want to encourage the private sector as much as possible to provide that employment. But since we are not going to let people starve, we have a choice, then, of paying people for doing nothing, or paying people for doing something. And it just makes infinitely more sense for the people of this Nation to pay people for doing something, to let them feel like they are contributing, and to move on the problems that we have. And I think we are going to be an infinitely richer Nation when we make that choice. The next stride forward we are going to make as a Nation is going to be when we guarantee a job opportunity to every American, and we are going to be a much better Nation when we do it.

Again, I commend you, Mayor Barry.

Mayor Barry. Senator, let me just add that we have to also focus our attention more critically on our public school systems. We have an excellent Superintendent here in Washington, Floretta McKenzie; our test scores are going up; fewer and fewer of our youngsters are quitting school before graduation. But a number of our school systems need help. They are faced with insurmountable problems of being parents, being counselors, being physicians. And until this Nation focuses early enough on trying to make sure those who graduate from high school can read, can write, and do have some analytical skills, that graph that you are speaking of of the unskilled labor pool going up, I think we have reached a point in the country where there are very few people who do not enter school. There used to be a time when people entered school and dropped out in the fifth or sixth grade of elementary school, but that is no longer the case. Most of our youngsters are getting past elementary school. It is in the high school area that they are quitting. We need to figure out how to focus there, too, to get people prepared.

But also, you mentioned the case of East St. Louis. One of the benefits that I would see of this legislation is that, even though Mayor Officer has a serious problem of an economic base that would help him, it may be that right across the river, in St. Louis, there is a base broad enough to deal with the situation in East St. Louis. That may be true of Gary, also, where even though Gary itself does not have an economic base, and Mayor Hatcher is struggling against tougher odds there--he has been there 18 years--it may be that in some of the suburban parts of Lake County, where industry is moving in, will provide opportunity.

Again, let me just say I do not think this it the panacea or the end-all. It is just one part of this big piece we need to look at. At least this legislation has focused some groups that I have not seen involved before. If you look at the list of supporters, you are getting people who very rarely put their names on youth employment activities. The Fraternal Order of Police, for instance, I have never seen them that involved. Even though the Boys' Club of America involves young people, they have not gotten involved in the whole question of youth unemployment. The Minority Business Contractors are now involved. Truckstop operators are now involved.

So at least this legislation has created the atmosphere for people at least to focus on the problem and their minds will be on a solution. I think that is very, very healthy.

Senator SIMON. Thank you, Mayor.

Thank you, Mr. Chairman.

The CHAIRMAN. Thank you, Senator.

Thank you, Mr. Mayor. We appreciate your being here today and appreciate the testimony you have given on behalf of the Mayors.

Mayor BARRY. Thank you very much.

The CHAIRMAN. Thank you, Mr. Shannon, it was nice to have you with us, as well.

Our next two witnesses represent the views of two very distinguished community organizations—the Boys' Clubs of America and SER-Jobs for Progress.

Mr. Robbie Callaway is the director of government and United Way relations for the Boys' Clubs; and we are pleased to welcome back Mr. Angel Lopez, chairman of the board of SER, a national organization dedicated to training Hispanic youth.

We welcome both of you to the committee. We appreciate your coming. And to the extent you can summarize, we would appreciate it.

We will be happy to start with you first, Mr. Callaway.

STATEMENT OF ROBBIE CALLAWAY, DIRECTOR OF GOVERNMENT/UNITED WAY RELATIONS, BOYS' CLUBS OF AMERICA; AND ANGEL LOPEZ, NATIONAL CHAIRMAN, SER-JOBS FOR PROGRESS

Mr. CALLAWAY. Thank you, Senator Hatch, for allowing Boys' Clubs of America to testify before you today on the Youth Employment Opportunity Wage Act.

My name is Robbie Callaway, and I am director of government relations for Boys' Clubs of America. I have prepared a lengthy statement and have submitted it for the record. I will summarize it for this hearing.

Mayor Barry mentioned one thing that I have to refute—I think he did it in innocence—but he said that Boys' Clubs of America has not been involved in youth employment. Boys' Clubs of America has been involved in youth employment longer than anyone in this room as far as organizational involvement, because when the first Boys' Club was created in 1860, it was designed to address—and this is a quote—"bootblacks, newsboys, youthful mill workers, and street urchins". To quote from the 1860 report, special training, "appropriate to the youngsters' occupations" was conducted, and savings plans were implemented.

So, we have been involved in youth employment, for quite some time.

Why did we decide to support the Youth Employment Opportunity Wage Act? As I describe a little portion of the Boys' Club movement, you will understand why.

We serve 1,275,000 boys and girls. Boys' Clubs call themselves "the club that beats the streets." Why? Because many of our kids come from disadvantaged circumstances—66 percent are from families with annual incomes under $15,000; 77 percent are from families with three or more children; 51 percent are from minority families, and 47 percent are from single-parent households.

We have 1,100 Boys' Clubs located around the country. We are in all 50 States, Puerto Rico, and the Virgin Islands. Each of our local Boys' Clubs is directed by a local board of directors made up of businessmen, businesswomen, and others who are concerned about their community.

As I said, the first club started in 1860. The national organization started in 1906. When it was founded, one part of the mission statement was "vocational programming"—what we would now call youth employment.

When we wrote our blueprint for the eighties, we focused in on four issues: Delinquency prevention—I know this is an interest of yours, Senator Hatch—health and fitness, citizenship and leadership development, and of course, once again, youth employment.

We just held a commission meeting for looking toward the nineties. This commission is chaired by George Grune of Reader's Digest—again, youth employment has been a major issue of discussion and energy. So, we have been focusing on youth employment before the Civil War, and we are going to be doing it long after all of the folks here are gone.

Why, at this time, do we take a forceful position on the Youth Employment Opportunity Wage Act? Mayor Barry was right in stating that we do not normally take positions on issues. We do not do that—you will not see our name on a lot of random issues. You will just see it on issues of importance to the 1.2 million kids we serve, as well as other disadvantaged kids.

You have heard all the statistics; I am not going to go through them again, but Boys' Club members are woven throughout these statistics.

Four hundred thousand new jobs would be created by YOW. It is a guarantee that some of those jobs would go to the kids that we serve in the inner city.

What are some of our Boys' Club directors seeing? They are seeing discouraged workers—and I mean discouraged workers who have never worked, who have never had a job. They are being described as reference poor. They can get a reference from their clergyman, from their teacher, from a neighbor or from a friend, but employers want to hear things like "did he show up on time"; "how does he relate to your customers and your clients"; "was he reliable"; "was she responsible"; "was he loyal to your company"; "how did she relate to your other employes"; "was he honest"; "was she hardworking"; "did he dress appropriately for the job"—things like that. And employers want to hear the answers from former employers. They do not really care whether that youngster was paid below the minimum wage in that first job. They just want to know answers to those questions.

Boys' Club executive directors give references many times. It means a lot more to a potential employer when that director prefaces the answer with "Yes, the kid worked in the Boys' Club for 40 hours a week."

Allow me to address some of the concerns that were mentioned with the Youth Employment Opportunity Wage Act: One, it would displace adult workers. That was a big concern of Boys' Clubs of America. We had never supported this before because we had felt that a year-round youth employment opportunity wage or subminimum wage would displace parents. The May 1 to September 30 time line addresses our concern. We put a lot of thought into this position.

Two, abuses would go undetected. We were concerned about that, and some of the legal sanctions that you have listed in the Youth Employment Opportunity Wage Act address our concerns.

Three, monitoring. One of the things we have discussed with the Department of Labor is that Boys' Clubs on a local level—and we have 37 in Illinois, Senator Simon; only 5 in Utah, Senator Hatch—but Boys' Clubs on a local level will actively monitor the implementation of the act. And if we see these kids taking jobs from their parents, we are going to let the Department of Labor know it. If it does not work, we will be right back up here, telling you to kill this idea. If it were for longer than a 3-year period, we would not support it.

Senator Simon, I liked your suggestion of an ad hoc committee if it fails to pass this Congress. I would suggest the ad hoc committee if it passes, and it should do similar things to what you have talked about, and help with the monitoring of the actual act.

Do we see it as a panacea? Absolutely not. Neither did anyone else we talked to at the Department of Labor. We see a major youth initiative as being part of the way to tackle youth unemployment. The Job Training Partnership Act has been very effective, but one of the glaring pitfalls has been the failure to spend the money that is supposed to go to youth.

We are confident that Secretary Brock, with his long history of supporting not only youth employment efforts but also youth agencies, will work with Congress and outside agencies to address this problem.

Training funds are going to be necessary to help address the problem of youth unemployment, because some of these kids we are dealing with in Boys' Clubs are unemployable at any cost—at $50 an hour, they would not perform the way the employers want them to perform. Some of these kids will feel neither a positive nor negative effect of the YOW.

We trust Secretary Brock is going to come up with a multifaceted approach to addressing the massive youth unemployment problem. We plan to work with him on doing just that.

I have a lot more testimony, but again, it has been submitted for the record.

Personally, I have spent my career working for and with young people. That is what I do. That is what I do for a living, and that is what I am proud to do. I have been up here testifying a number of times in the past. Senator Simon, before you on the Missing Children's Act when you were over in the House, and Senator Hatch, on juvenile justice and other issues. I support this position, and I was proud to see Boys' Clubs of America take a strong stance on it. We support a 3-year trial program. I say give it a chance. If it fails, let's kill it, let's put the issue to rest. If it passes, maybe 400,000 previously unemployed youngsters will find jobs.

I think now is the time to do it. We oppose a year-around program; we oppose one that would displace adults. We support this one. I would like to see some of these kids get jobs in daycare centers that currently cannot afford to pay them the minimum wage, in senior citizen centers, and so many other places.

The time has come to do something about this, to make these kids nonreference-poor. And we support doing it right away and not doing anymore trial-type short-term extension programs. Do this 3-year program as your trial. If it works, great, let's support it ongoing, and if it fails, put it to rest.

I will take questions later.

The **Chairman**. Thank you so much.

[The prepared statement of Mr. Callaway representing the Boys Clubs of America follows:]

BOYS CLUBS
OF AMERICA

STATEMENT

OF

BOYS CLUBS OF AMERICA

presented by

MR. ROBBIE CALLAWAY
DIRECTOR OF GOVERNMENT RELATIONS

BEFORE

THE

UNITED STATES SENATE

COMMITTEE ON

LABOR AND HUMAN RELATIONS

ON

MAY 22, 1985

BOYS CLUBS
OF AMERICA

RESOLUTION OF SUPPORT

YOUTH EMPLOYMENT OPPORTUNITY WAGE ACT

Whereas, Boys Clubs of America currently serves over 1.2 million boys and girls in 1,100 Clubs across this nation and has been in service to young people for 78 years;

Whereas, the youth unemployment rate among 16 to 19-year-olds is currently over 18%, and is much higher among inner city youth;

Whereas, less than 3% of the more than 6,000,000 jobs created since November, 1982, have gone to teenagers;

Whereas, the unemployment rate for adults has consistently shown improvement and been under the 10% level for some time, thereby, easing the concern that teenagers might take their parents' jobs;

Whereas, the Youth Employment Opportunity Wage Act provides for stiff penalties, including fines and prison terms, against employers who discharge adult workers to hire eligible youth;

Whereas, the Youth Employment Opportunity Wage Act provides for a three year experimental program where 16 to 19-year-olds could be paid 75% of current minimum wage ($2.50 per hour);

Whereas, this Youth Employment Opportunity Wage would only be in effect from May 1 through September 30, each of the three years;

Whereas, thousands of Boys Club members are unemployed and currently faced with limited employment opportunities;

Whereas, research indicates that the Youth Employment Opportunity Wage Act would create 400,000 to 640,000 new summer jobs for youth;

Whereas, at the summer peak only 58% of all the nation's white youth have jobs, and only 31% of all black youths have summer jobs;

Therefore, be it resolved that Boys Clubs of America supports the proposed Youth Employment Opportunity Wage Act which we view as a realistic effort to ease the unemployment problem among our nation's young people.

November 14, 1984

Government Relations Office 611 Rockville Pike, Suite 230
Rockville, MD 20852 301-251-6676

Mr. Chairman, and Members of the U.S. Senate Labor and Human Resources Committee, we wish to thank you for allowing Boys Clubs of America the opportunity to testify before you today on the Youth Employment Opportunity Wage Act.

My name is Robbie Callaway and I am the Director of Government Relations for Boys Clubs of America.

Before we move to the specific discussion of the Youth Employment Opportunity Wage Act let me share with you a brief summary of the Boys Club movement. This summary will help you understand why we are compelled to support the Youth Employment Opportunity Wage Act.

For more than 1,275,000 boys and girls, a Boys Club is a special place, the Club that "beats the streets". Many of these youth come from disadvantaged circumstances. Of the young people Boys Clubs serve:

* 66% are from families with annual incomes under $15,000.
* 77% are from families with three or more children.
* 51% are from minority families.
* 47% are from single-parent households.
* 49% are from families with parents in blue-collar jobs.
* 20% are from families receiving public assistance.
* 10% are 6 to 7 years of age.
* 29% are 8 to 10 years of age.
* 33% are 11 to 13 years of age.
* 29% are 14 to 18 years of age.

Boys Clubs of America leads a national Movement of 587 locally-governed Boys Club organizations which operate 1,100 Club units/facilities. These organizations are in all 50 states, Puerto Rico and the Virgin Islands.

Youth employment is not a new issue for Boys Clubs. 125 years ago the first Boys Club opened its doors in Hartford, Connecticut. The three ladies who pioneered this Club targeted their services to "bootblacks, newsboys, youthful mill workers, and street urchins". Special training, "appropriate to the youngsters occupations", was conducted and savings plans were implemented.

In 1906 the National Organization was formed and the importance of "vocational programming" was stressed by presenting it in the Purpose Statement of the Constitution.

As we move to the 1980's our Volunteer Board of Directors, outside experts, and National Director, William Bricker, developed a "Blueprint for the 80's". The main focus of this Blueprint was a charge to Boys Clubs of America to assist local Boys Clubs to provide services in four critical areas:

* 1. Delinquency Prevention
* 2. Health and Fitness
* 3. Citizenship/Leadership Development
* 4. and of course, Youth Employment

Our current Commission looking to the 90's,(under the leadership of George Grune, Reader's Digest) has begun its preliminary work and once again, youth employment has been a major topic of discussion.

With a history like this it is easy to see why Boys Clubs of

America chose to take a forceful position on the Youth Employment Opportunity Wage Act. What are some of the factors causing us to take such a strong favorable position at this time?

- An unemployment rate of 18.2% for 16-19 year olds.
- Black teenagers with a 41.9% unemployment rate.
- Only 3% of new jobs going to teens.
- 1.4 million teens classified as outside of the labor force expressed a desire to be employed on a full or part-time basis.
- At the summer peak only 58% of all of the nations white youth have jobs and only 31% of all black youths have summer jobs.

Countless numbers of Boys Club members are woven through these statistics. Far too many are unemployed and faced with limited employment possibilities.

WHAT DO WE THINK THE YOUTH EMPLOYMENT OPPORTUNITY WAGE ACT WILL DO FOR THESE DISADVANTAGED BOYS CLUB MEMBERS?

Research indicates that 400,000 and maybe more, new jobs would be created by the Youth Employment Opportunity Wage Act - that alone makes it worth a try!

Many young people are becoming "Discouraged Workers". In Boys Clubs we are seeing young people who cannot get jobs partly because they have no skills and are "Reference Poor".

They can possibly get their Clergyman, neighbor, teacher, or family to say good things about them to prospective employers.

What types of things do prospective new employers really want to hear:

- Does he show up on time?
- How did she relate to your customers/clients?
- Was he reliable?
- Was she responsible?
- Was he loyal to your company?
- How did she relate to your other employees?
- Was he honest?
- Was she hard working?
- Did he dress appropriately for the job?

If you were the prospective new employer would you prefer having these questions answered by the prospective employees neighbor, teacher, friend-or by his former employer? If the things you heard from a former employer were good-I doubt it would matter to you that the prospective employee had been paid less than the minimum wage.

Our Boys Club Executive Directors often give job references on Boys Club members. These references are helpful in most cases but the ones that really count go something like this;

"Yes Johnny is a member of the Rockville Boys and Girls Club and last summer he also was a paid employee working 40 hours a week."

**In the eyes of the prospective new employer "Johnny" is no longer "REFERENCE POOR".

* * *

What were some of our concerns about a youth differential and how are they being addressed by the Youth Employment Opportunity Wage Act?

1. A youth differential might cause young people to displace their parents in the work-force.

   The May 1-September 30 time frame eased our fears because most parents work year round-not just in the summer.

2. Abuses would go undetected and no action would be taken against violators.

   The potential legal sanctions of the Youth Employment Opportunity Wage Act [$10,000 fine, 6 months in prison, and payment of back wages earned] eased our concern.

3. There would be no system of monitoring abuses.

   Many of our local Boys Clubs will actively monitor the local implementation of the Youth Employment Opportunity Wage Act. We will establish a formal abuse reporting mechanism and work closely with the Department of Labor on any violations.

4. What happens if it does not work and new jobs are not created?

   At the end of the three year trial we will know for sure and if it works we will support its permanence. If it fails, we will join with the Department of Labor in putting the youth differential to rest.

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Do we see the Youth Employment Opportunity Wage Act as a PANACEA to the alarming youth unemployment problem?

No, and neither does anyone else with whom we talk.

To tackle the problem of youth unemployment there is going to have to be a MAJOR YOUTH INITIATIVE of which the Youth Employment Opportunity Wage Act is only a part.

The Job Training Partnership Act is proving to be very successful in overcoming many of the pitfalls of the old C.E.T.A. The one glaring problem so far with JTPA is the failure to spend the portion of the funds targeted to youth.

Secretary Brock has a long history of supporting youth agencies and youth employment efforts. We are certain that he will work with Congress and appropriate outside agencies to help address this problem.

Training funds are going to be necessary to address those young people who are unemployable at any cost. Boys Club Directors tell us of members whose social and developmental skills are so poor that special training is absolutely necessary before any private sector employer would hire these high-risk young people.

The Youth Employment Opportunity Wage Act - combined with a more effective implementation of JTPA - will increase the chances for many of these young people to grow into responsible, productive citizens.

We trust Secretary Brock will come up with a multi-faceted approach to addressing the massive youth unemployment problem.

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What are some of our Boys Club Executives saying about the Youth Employment Opportunity Wage Act?

* Dick White, Boys and Girls Club of Providence, Rhode Island - "We do our best to employ teenagers in the summer months. Though modest, we hire about 25. A Youth Employment Opportunity Wage Act would increase this to 33. Eight more youngsters working and not hanging around on the streets".

* Jim Carlile, Boys Club of Memphis, Tennessee - "We support it, maybe it should be year round".

* Billy Dawson, Boys Club of Tucson, Arizona - "A meaningful job at any salary is better than no job at all".

Let me cite a few examples of what Boys Clubs are doing to assist with broader youth initiatives:

1. Job Search - A training program, partially sponsored by the Ford Foundation, to help young people find their own jobs in the private sector, was field-tested by Boys Clubs of America in four Clubs last year. In this successful demonstration project, the majority of those participating were able to to find employment. In 1985, Boys Clubs of America will offer training to Club staff and provide two manuals and a curriculum guide so that many more Club members can learn the skills and techniques to successfully secure employment.
   Overall, a total of 62% of Boys Clubs specifically addressed themselves to the issue of youth employment in 1984, through: summer youth employment placements, year-round job placement programs, training programs, career exploration programs and special scholarship programs. Boys Clubs were conveying a message of hope and pointing young people in the directon of "Productive Futures".
2. Boys Club of San Gabriel Valley
   El Monte, California
   More that 350 gang members in El Monte, California, most of them high school dropouts, have found employment in local businesses during the last two and half years as a result of the efforts of the Boys Club and El Monte Police Department. The Boys Club of San Gabriel Valley

works directly with 2,000 youth from 15 different gangs in the city. The youth range in age from 16 to 22. Boys Club and police department staff work together to find jobs, counsel gang members, and supervise them after placement. Vocational counseling and training in work adjustment skills is provided in the form of the 24 hour World of Work program, which covers such essentials as how to fill out a job application and how to act in a job interview. Through the cooperation of businesses in El Monte, jobs have been found in electronics, industrial, and other manufacturing firms, schools, and a grocery chain. Individualized follow-up counseling keeps gang members on the job long enough to see that they can master the necessary skills and overcome frustrations and difficulties. Through supportive services and referral, the new employees receive help in resolving personal and work-related problems that might force them to leave their jobs.

3. Job Specific Training Programs such as:

   * In Philadelphia, our Club, The Crime Prevention Association, trains 18 to 21-year-olds in food service careers. Youth not only find placements in a local growth industry, but also get Club support as they go through the process of becoming members of the Waiters' Union.

   * In Denver, the Boys Club uses state-of-the-art equipment to train members (including youthful

offenders) in auto mechanics.

4. Junior Staff Training Program - Activities focus on leadership training, general employability enhancement, specific skills development in the youth services career field, and actual paid, supervised work experience in the Boys Club.

CONCLUSION

I personally have spent my career working with and for young people. I have testified before most of you on various issues relating to youth and youth advocacy.

After a thorough review of the Youth Employment Opportunity Wage Act I was quite pleased to see Boys Clubs of America take a strong advocacy position in support of this three year trial program.

When the Youth Employment Opportunity Wage Act passes many of our Boys Club members will hopefully be able to spend their summer working in day care centers, senior citizen homes, youth centers and potentially so many other private sector jobs that previously were not available.

The time to pass this trial legislation is now. Together lets see if it works. We think it will and we want our members and all of America's young people to have a better opportunity to find a job this summer so that next year they will no longer be "REFERENCE POOR".

We urge you to move now, and pass the Youth Employment Opportunity Wage Act.

Thank you.

The CHAIRMAN. We will now turn to you, Mr. Lopez. We look forward to hearing what you have to say on behalf of your great organization.

Mr. LOPEZ. Thank you, Mr. Chairman. I would like to thank you very much for the opportunity to come before you this morning to testify in behalf of the Youth Employment Opportunity Wage Act.

I am humbled by the opportunity to be here, because I think the people that can best testify on behalf of this bill would be the youth of this country—the youth who are being turned away from jobs because they do not have the experience, because there are not enough jobs out there for them.

SER has been in the business of youth employment and general employment for 19 years. We believe that we have become very sensitive over the years to the problems of youth unemployment.

In particular, we operate the only Job Corps Center in the nation administered by a minority community-based organization, and we also administer the only career-oriented multicultural alternative high school in the Nation, here in Washington, DC.

In addition, we have participated in a number of experimental youth programs, school-at-work transition, and career exploration programs. We understand the problem of youth unemployment, and we have not turned our backs on new, innovative approaches to deal with the problem. We have over 96 offices in 16 States. For example, last year alone, we served 26,000 economically disadvantaged Americans. Yet, for every 10 people who come into our offices, we are only able to help 2 people. This summer promises to be no different than any other summer.

Our offices, located in predominantly Hispanic neighborhoods, will again have to face our Hispanic youth, and again we will have to tell them that there are just not enough jobs for all of them.

This is a crisis that needs to be addressed, and that is why we support the legislation that is before you. At SER, we have always supported minimum wage legislation. We have tried always to support the interests of the American working men and women. Today, we wish to reaffirm that support and that commitment, as we urge the Committee to act favorably on a temporary differential wage for America's youth under the age of 19.

As a member of this distinguished Committee, you are familiar with the deplorable statistics of youth unemployment. You know that unemployment rates will be higher during the summer months when school is out.

We know that you have wrestled with a number of difficult choices and alternatives as you have sought an effective means to address this national tragedy.

We support the legislation before you just as we have supported other innovative, bold, and experimental legislation introduced by you from time to time to combat the very serious problem of youth unemployment.

We are encouraged by the provision in the bill that would protect the interests of the adult workers, and that is why we are so fully supportive of the bill that you are trying to pass.

We support this bill also, because we believe that new jobs will be created as a result of a different wage structure for teenagers during the summer months. The alternative for a teenager without a job is many times not a very pleasant one. Faced with another summer without a job, many youth turn to a life of crime and a life without hope. An opportunity to earn income during the summer months instills in a youth a sense of responsibility and a hope for a better tomorrow.

I come from a very poor family. My parents were migrant farm workers. We barely made enough money to live on when I was growing up. In the summer months, I recall that I would help with the family income by working in the fields at considerably less than the minimum wage of the time. I would venture to say that the poor in our country today are no different than they were when I was growing up. Given the option of no job versus a job that paid less than the minimum wage, there is no question in my mind as to what I would have done. I am equally certain that if my first employer had been required to pay me the prevailing minimum wage, I would not have been employed.

We have seen a lot of bar charts and line graphs, and I just wish to add at this point that youth unemployment cannot be fully understood by regression analysis, by bar charts, and blue lines and green lines. It is best explained by the look of people in despair, who do not have a sense of tomorrow, and who have no hope for a future. That is the best way to explain youth unemployment.

That is why I urge this committee to pass the legislation before you. The youth of our country need the experience of being wage-earners. Let us not deny them that privilege and that responsibility. Thank you.

The CHAIRMAN. Thank you very much, Mr. Lopez.

[The prepared statement of Mr. Lopez follows:]

TESTIMONY BY ANGEL LOPEZ

YOUTH OPPORTUNITY WAGE BILL

THANK YOU VERY MUCH FOR THE OPPORTUNITY TO COME BEFORE YOU THIS MORNING TO TESTIFY ON BEHALF OF THE YOUTH OPPORTUNITY WAGE BILL. I AM ANGEL LOPEZ, NATIONAL CHAIRMAN OF SER-JOBS FOR PROGRESS. I AM HUMBLED BY THE OPPORTUNITY TO BE HERE BECAUSE I BELIEVE THAT PEOPLE THAT COULD BEST TESTIFY ON BEHALF OF THIS BILL WOULD BE THE YOUTH OF THIS COUNTRY. THE YOUTH THAT ARE BEING TURNED AWAY FROM JOBS BECAUSE THEY JUST DON'T HAVE THE EXPERIENCE AND BECAUSE THERE ARE NOT ENOUGH JOBS OUT THERE DURING THE SUMMER MONTHS.

WITH 19 YEARS EXPERIENCE IN THE JOB TRAINING BUSINESS, SER JOBS FOR PROGRESS, HAS BECOME PARTICULARLY SENSITIVE TO THE EMPLOYMENT PROBLEMS OF MINORITY YOUTH.

IN SER WE OPERATE THE ONLY JOB CORPS CENTER IN THE NATION ADMINISTERED BY A MINORITY COMMUNITY-BASED ORGANIZATION. WE ADMINISTER PROBABLY THE ONLY CAREER-ORIENTED MULTICULTURAL ALTERNATIVE HIGH SCHOOL IN THE NATION, RIGHT HERE IN WASHINGTON, D.C.

IN ADDITION, WE HAVE PARTICIPATED IN A NUMBER OF EXPERIMENTAL YOUTH PROGRAMS, SCHOOL-AT-WORK TRANSITION AND CAREER EXPLORATION PROGRAMS. WE UNDERSTAND THE PROBLEM OF YOUTH UNEMPLOYMENT AND WE HAVE NOT TURNED

OUR BACKS ON INNOVATIVE APPROACHES TO DEAL WITH THAT PROBLEM.

AT SER WE HAVE OVER 96 OFFICES IN 16 STATES. LAST YEAR ALONE WE SERVED 26,000 ECONOMICALLY DISADVANTAGED AMERICANS. YET, FOR EVERY 10 PEOPLE THAT COME INTO OUR OFFICES WE ARE ONLY ABLE TO HELP 2. THIS SUMMER PROMISES TO BE NO DIFFERENT THAN ANY OTHER SUMMER. OUR OFFICES, LOCATED IN PREDOMINATELY HISPANIC NEIGHBORHOODS, WILL AGAIN HAVE TO FACE OUR HISPANIC YOUTH AND AGAIN WE WILL HAVE TO TELL HUNDREDS OF THEM THAT THERE ARE JUST NOT ENOUGH JOBS FOR ALL OF THEM. THAT IS UNLESS THIS BILL BEFORE YOU IS ADOPTED.

AT SER WE HAVE ALWAYS SUPPORTED MINIMUM WAGE LEGISLATION. WE HAVE TRIED ALWAYS TO SUPPORT THE INTERESTS OF THE AMERICAN WORKING MEN AND WOMEN. TODAY WE WISH TO REAFFIRM THAT SUPPORT AND THAT COMMITMENT AS WE URGE THE COMMITTEE TO ACT FAVORABLY ON A TEMPORARY DIFFERENTIAL WAGE FOR AMERICA'S YOUTH UNDER THE AGE OF 19.

AS A MEMBER OF THIS DISTINGUISHED COMMITTEE, YOU ARE FAMILIAR WITH THE DEPLORABLE STATISTICS OF YOUTH UNEMPLOYMENT. YOU KNOW THAT UNEMPLOYMENT RATES WILL BE HIGHER DURING THE SUMMER MONTHS WHEN SCHOOL IS OUT. WE KNOW THAT YOU HAVE WRESTLED WITH A NUMBER OF DIFFICULT CHOICES AND ALTERNATIVES AS YOU HAVE SOUGHT AN EFFECTIVE MEANS TO ADDRESS THIS NATIONAL TRAGEDY.

WE SUPPORT THE LEGISLATION BEFORE YOU JUST AS WE HAVE SUPPORTED OTHER INNOVATIVE, BOLD AND EXPERIMENTAL LEGISLATION INTRODUCED BY YOU FROM TIME TO TIME TO COMBAT THE VERY SERIOUS PROBLEMS OF YOUTH

UNEMPLOYMENT. TO PROTECT THE INTERESTS OF OUR YOUTH AND ADULT WORKERS, I WOULD URGE THE COMMITTEE TO INCORPORATE THE FOLLOWING PROVISIONS IN THE LEGISLATION:

FIRST OF ALL, HAVE SAFEGUARDS TO PREVENT THE DISPLACEMENT OF ADULT WORKERS BY YOUTH. WE WOULD HOPE THAT THE LEGISLATION BE IN EFFECT ONLY FOR THE SUMER MONTHS AND APPLY ONLY TO YOUTH 16 YEARS AND YOUNGER; THAT THE SECRETARY OF IABOR BE AUTHORIZED TO CONDUCT THE APPROPRIATE LABOR MARKET STUDIES AFTER THIS LEGISLATION HAS BEEN PASSED, TO DETERMINE WHAT EFFECT, IF ANY, THE LEGISLATION HAS HAD ON THE CREATION OF NEW JOBS, THE POSSIBLE DISPLACEMENT OF ADULT WORKERS AND A DECREASE IN YOUTH UNEMPLOYMENT AND FINALLY, THE IMPACT ON MINORITY YOUTH.

ALSO, THAT THE LEGISLATION BE COVERED BY A SUNSET PROVISION ALLOWING IT TO EXPIRE IF IT FAILS TO ACCOMPLISH ITS STATED GOALS OR ACHIEVE THE DESIRED RESULTS.

WE SUPPORT THIS BILL BECAUSE WE BELIEVE THAT NEW JOBS WILL BE CREATED AS A RESULT OF A DIFFERENT WAGE STRUCTURE FOR TEENAGERS DURING THE SUMMER MONTHS. THE ALTERNATIVE FOR A TEENAGER WITHOUT A JOB IS MANY TIMES NOT A VERY PLEASANT ONE. FACED WITH ANOTHER SUMMER WITHOUT A JOB MANY YOUTH TURN TO A LIFE OF CRIME AND A LIFE WITHOUT HOPE. AN OPPORTUNITY TO EARN INCOME DURING THE SUMMER MONTHS INSTILLS IN OUR YOUTH A SENSE OF RESPONSIBILITY AND A HOPE FOR A BETTER TOMORROW.

I COME FROM A POOR FAMILY, MY PARENTS WERE MIGRANT FARM WORKERS. WE

BARELY MADE ENOUGH MONEY TO LIVE ON. IN THE SUMMER MONTHS I WOULD HELP WITH THE FAMILY INCOME BY WORKING IN THE FIELDS AT CONSIDERABLY LESS THAN THE MINIMUM WAGE OF THE TIME. I WOULD VENTURE TO SAY THAT THE POOR IN OUR COUNTRY ARE NO DIFFERENT TODAY THAN THEY WERE WHEN I WAS GROWING UP. GIVEN THE OPTION OF NO JOB VERSUS A JOB THAT PAID LESS THAN THE MINIMUM WAGE, THERE IS NO QUESTION IN MY MIND AS TO WHAT I WOULD HAVE DONE. I AM EQUALLY CERTAIN THAT IF MY FIRST EMPLOYER HAD BEEN REQUIRED TO PAY ME THE PREVAILING MINIMUM WAGE, I WOULD NOT HAVE BEEN EMPLOYED.

I URGE THIS COMMITTEE TO PASS THE LEGISLATION BEFORE YOU. THE YOUTH OF OUR COUNTRY NEED THE EXPERIENCE OF BEING WAGE EARNERS. LET'S NOT DENY THEM THAT PRIVILEGE AND THAT RESPONSIBILITY. THANK YOU.

The **Chairman**. I have a couple of questions. Both of you represent organizations which serve youth exclusively. You, I think, know far better than most, certainly most adults, what teenagers are thinking today. Obviously, all youth would want to work for the minimum wage or better, it seems to me. But in your conversations with the young people as you work with them, is it your sense that young people would prefer the flexibility to work for less than the minimum wage, if the alternative, the only alternative, was to not have a job at all?

Mr. **Callaway**. We found from surveying our Boys' Clubs across the country that the kids without jobs are saying yes, they will work for less than the minimum wage. They want a job. I mean, some of these kids are dying for a job, any job, and it does not matter what it pays.

Some of the kids making $5 and $6 an hour are saying they do not want a Youth Opportunity Wage. The point is, though, for those kids, employers are still going to be paying them $5 and $6 an hour, because there is a need for them, in whatever job can afford to pay them that wage.

The issue is, if a McDonald's, in certain areas, is currently having to pay $4 an hour to attract kids—they are still going to have to pay that if you pass the Youth Opportunity Wage. They are not going to drop their wage down to $2.50 this summer, because if they have to pay $4 now to attract employees, they are going to have to do that afterwards.

The daycare center in my neighborhood, though, cannot have a proper staff ratio, because they cannot afford to pay $4 an hour. Now, if they could pay $2.50, they could possibly give some of the younger kids jobs.

So, basically, many of our kids, the ones without jobs, are saying they want a job; the wage is not as important.

The CHAIRMAN. How about you, Mr. Lopez?

Mr. LOPEZ. That is the sense that we get from our youth. As I mentioned, our offices are in the predominantly Hispanic neighborhoods, in the barrios. We have offices in Chicago, we have offices throughout the Southwest, and here in Washington. And by and large, those that we are not able to help, turn away, come back and ask, "Is there anything I can do? I would be willing to work for less. I would be willing to do anything."

It is easy to turn away from a job that does not pay the minimum wage, even now, if you do not need the job. But our clients need those jobs. It is survival for them. It is not just a fun thing to do for them. It is survival, and for them, an opportunity to earn a living, to make a decent living this summer, is more important than whether it is 75 cents or 85 cents less than what they normally would have gotten somewhere else.

The CHAIRMAN. Let me just ask one other question, and I have others that I will submit in writing to both of you. But let us start with you, Mr. Lopez. It has been said of this proposal that this may exploit our children, that it is a shameful proposition. What do you feel about that kind of criticism?

Mr. LOPEZ. I think it is a more shameful proposition to deny the youth an opportunity to work. I think it is more shameful to sit here and debate this any longer. It is more shameful to say that we are going to take it under consideration and under advisement, while hundreds of thousands of youth are still going without jobs. To me, that is the shame of it all, not the fact that it is exploiting youth, because I just do not see it as that. I see it as an opportunity, and I see it as a way of bringing our youth into the labor market, and giving them the opportunity and the experience that they sorely need.

Mayor Barry pointed out very accurately the 22-year-olds that have no job experience whatsoever. So our youth need that opportunity, and we must act on it.

The CHAIRMAN. Well, thank you.

Mr. Callaway?

Mr. CALLAWAY. I think there are probably some arguments against the youth opportunity wage. That one, I feel, is absolutely non-valid.

Boys' Clubs of America has served kids for a number of years. If you even hinted at exploiting children, Boys' Clubs of America would not have even considered supporting it.

The CHAIRMAN. Well, thank you.

Senator Simon?

Senator SIMON. Thank you very much. I appreciate the good work both of you are doing, and I appreciate your very effective testimony.

Let me just make one modest insertion in the record here. Mr. Callaway, you mentioned McDonald's needing to pay $4, and Senator Kennedy earlier mentioned places where they could not get people to work for the minimum wage. There are a lot of places where that is not the case.

A Burger King in southern Illinois put an ad in the paper for one minimum wage job, and got 137 applications. In Chicago—and I do not remember the number of jobs, but it was a relatively small number of jobs, paying slightly above the minimum wage—and over 10,000 people showed up.

So, there are people who are eager out there to work for minimum wage positions, and there are areas where that is not the case, but those areas are not typical of many others.

But again, I appreciate the testimony both of you have given.

Thank you very much, Mr. Chairman.

The **CHAIRMAN**. Well, thank you.

We really do appreciate having both of you here. We appreciate the constituencies you represent and the forceful manner in which you have represented them here today.

Thank you for coming. We will keep the record open—oh, excuse me, Senator Hawkins. You just walked in. We had better give some time to Senator Hawkins. I am sorry.

Senator **HAWKINS**. I would like to welcome Robbie here. I have enjoyed working with him on a number of issues.

How do you respond to the charge that the Youth Opportunity Wage exploits children?

Mr. **CALLAWAY**. Well, Senator Hatch did just ask that, and the way I responded to him was that that was the weakest of all the arguments against the Youth Opportunity Wage.

As I said, Boys' Clubs of America would not be associated with anything that hinted of exploiting children. I am really offended that people would even use that term, quite honestly. Being on the Board of the National Center for Missing and Exploited Children I know that children are being exploited in a lot of ways. But this is clearly not one of them.

Senator **HAWKINS**. What was your first job, Robbie?

Mr. **CALLAWAY**. Well, at 14, I was an usher in a movie theater. I made 90 cents an hour. How does that relate to what I do now? It doesn't, except that I had to learn to be there on time; I learned how to be courteous to the employees and customers; I learned how to be loyal to an organization. I learned a lot of things as a movie usher.

I went from that, and I really was upgraded, to a 15½-year-old gas station attendant, at New York Avenue and Bladensburg Road, here in Washington, D.C. I learned an awful lot at that job. Again, it was below the minimum wage at the time.

Senator **HAWKINS**. Was career potential the reason you took the jobs you have mentioned?

Mr. **CALLAWAY**. No. It was basically self-sufficiency. My mother laughs now about how I liked to try to buy my own clothes and things like that at age 14. But it did help me learn to work an honest hour, make a wage, and help take care of myself. It helped me learn basic job-related skills.

Senator **HAWKINS**. A great example for all young people. Thank you.

Mr. **CALLAWAY**. Thank you, Senator.

The **CHAIRMAN**. Well, thank you. I might just ask you, Mr. Lopez, what was your first job?

Mr. **LOPEZ**. My first job, at 12, was picking cotton for $2 a day.

The **Chairman**. Two dollars a day.

Senator **Hawkins**. Was that paid to your mother?

Mr. **Lopez**. Pardon me?

Senator **Hawkins**. Was that paid to you?

Mr. **Lopez**. Yes, and then I turned the money over to my dad at the end of the week, every week—all $10.

The **Chairman**. Did you feel you learned anything from that?

Mr. **Lopez**. I learned that I did not want to pick cotton for the rest of my life. [Laughter.]

The **Chairman**. I think that is a fair statement.

I want to thank both of you for being here. Hearing from both of you has been a real highlight of the hearing as far as I am concerned. And, having come up from a poor family myself, I understand.

Thanks so much.

Mr. **Callaway**. Thank you, Senator.

Mr. **Lopez**. Thank you.

The **Chairman**. Our final witness this afternoon is no stranger to the committee. Mr. Ray Denison is the Director of the Department of Legislation for the AFL-CIO and has represented his union's leadership on the Hill for many years. We are pleased to welcome him here to testify on the youth wage proposal today.

Ray, I apologize to you for this going on so long, but I did not know what else to do. I have got to finish about 1:30, and I did not want you to have to come back another day. So, please forgive me.

STATEMENT OF RAY DENISON, DIRECTOR, DEPARTMENT OF LEGISLATION, AFL-CIO, ACCOMPANIED BY JOHN ZALUSKI, ECONOMIST

Mr. **Denison**. That is fine. As long as the lights are on, I presume we are still in business.

Well, thank you, Mr. Chairman. I am accompanied today by John Zaluski, an economist with our Department of Economic Research.

I will try to summarize my testimony as best I can. However, after sitting here through the morning, I feel that it should be about twice this length——

The **Chairman**. We will be happy to keep the record open for you so you can submit additional testimony.

Mr. **Denison** [continuing]. As means of responding to the many issues that have been raised during the course of the questioning.

But let me say, Mr. Chairman, I appreciate this opportunity to present the views of the AFL-CIO in opposition to S. 797, the so-called Youth Employment Opportunity Wage Act.

We believe a more fitting title is the "Youth Discrimination and Disemployment Act". The minimum wage in America was established as a national statement that employers would not be allowed to exploit their employees by paying sub-minimum wages. Congress established a floor, a minimum that was to be the absolute lowest wage considered appropriate in American society. Now we are urged to undermine that floor by exploiting our children. Is there no shame?

Properly, we should be here to raise the present deplorable minimum wage. There are better ways of employing young workers, and we will address them here. The bill that would permit employers to pay wages below the current legal minimum wage of $3.35 an hour, which is itself a sub-minimum wage, to $2.50 an hour, and as we read the pending legislation, to as low as—and I must correct that—to as low as $2.12 an hour if the employees are also full-time students, would also mean that adults seeking work and jobs paying at or near the minimum wage would be at a competitive disadvantage, and these are disproportionately members of minority groups and women.

Promoting this legislation as a warm weather experiment in wage discrimination is an unfair and ineffective deception, hiding behind the noble purpose of creating jobs for young Americans.

Let me try to summarize the various reasons we oppose this legislation.

It discriminates against young workers based on their age.

It does not create jobs.

It displaces older workers.

Enforcement will not take place to prevent displacement.

The minimum wage is now a subminimum.

And experiments with wage subsidies and subminimums have not alleviated youth unemployment.

Instead of a subminimum, youth unemployment needs to be addressed by improved job and training programs.

Youth unemployment is a serious problem, but it must be put in context. Through most of last summer, there were 8.4 million unemployed workers—that is, youth and adults. There were approximately 1.5 million unemployed in the age range of 16 to 19. Thus last summer, youth unemployment was less than 18 percent of the total unemployment problem, nevertheless, a serious problem. Serious, because the unemployment rate for 16- to 19-year-olds averaged 18 to 19 percent last summer and are unusually high when compared to the rest of the work force and the expectations and hopes of the young.

However, the unemployment rate of white teenagers is only slightly above that of black adult men and black adult women. Black teenagers suffer a horrendous 41.3 percent unemployment rate. However, more than three-fourths of the unemployed teenagers are white.

Yet these high unemployment rates need to be considered in terms of their implications if it becomes national policy to cut minimum wages in relation to unemployment statistics. These comparisons have serious implications for this Nation if we seek to deal with unemployment through changes in the minimum wage. The logical extension of this thinking is that there should be a higher minimum wage for white males over age 20, since their unemployment rate is 5.5 percent; a somewhat lower minimum for white women with an unemployment rate of 5.8 percent; a still lower minimum wage rate for Hispanics, since their unemployment rate is 10.3 percent; and the lowest minimum wage for black teenagers, as their unemployment rate 43.3.

Let me just skip on a little bit. This bill does not address the question of priority in hiring—particularly the teenager at $2.50 an hour or the laid-off older worker at $3.35 an hour, both of whom queue up in long lines whenever job openings are announced.

Will adults who normally work in such seasonal industries as golf courses, carnivals, amusement parks, marinas, be pushed to the back of the queue? Will there be a differential between the nonstudent 16 to 19 years old at $2.50 and the full-time student 16 to 19 at $2.12? And how many existing low-wage workers will have their hours cut and be added to the 5.6 million in the statistic "Part Time for Economic Reasons, Slack Work, or Could Only Find Part-Time Work"?

A 16-year-old youth is now required to be paid $3.35 an hour, but under this bill, if enacted, could be cut back to $2.50 an hour next month—or next year, even though he or she performed the same job.

On enforcement, the bill provides stiff penalties if older workers are laid off in favor of younger workers. But most employers know that there is little likelihood it will be enforced. In fact, a Journal of Commerce editorial on May 15 of this year noted that "The Labor Department concedes enforcing such penalties on a large scale would be next to impossible." In fact, there is no recent memory of the Employment Standards Administration even seeking a $10,000 fine and 6 months in jail for any violation of the act.

The enforcement staff at the Department of Labor has been cut back relative to the workload and basically concentrates on complaints. If the focus of enforcement is on complaints with this bill, who would complain? The older workers who are laid off and gone are not likely to know that they were replaced by sub-minimum-wage workers. And experience under the existing full-time student subminimum bears out the lack of enforcement of its displacement bar.

Let me also point out that congressional oversight, as provided for in the Fair Labor Standards Act, is already hampered by the failure of the Labor Department to provide the required annual reports. The Department of Labor is supposed to inform Congress of its activities under the act, including enforcement. But the Department of Labor's Employment Standards Administration has not filed the report required by section 4(d)(I) of the act for the last 2 years, and was over 1 year late with the 1982 report. Thus, no one has any current information on the act's enforcement. So much for enforcement, strong penalties, and worker displacement.

Prof. Bernard Anderson of Princeton and Wharton found that a direct wage subsidy or a tax incentive should have essentially the same effect as a subminimum wage in terms of an employer's decision to hire young workers. But tax incentives have not stimulated youth employment. When employers were offered a 100-percent wage subsidy under the Youth Incentive Entitlement Employment Program, employers hired only 21 percent of the 76,000 youth in the program according to a 1983 report. Anderson also called attention to the Rockefeller Foundation studies that offered wage subsidies to employers who would hire young workers. When 50 percent to 75 percent wage subsidies were offered to employers, only 5 to 10 percent of the employers participated. Anderson concluded his observations with:

If private sector employers are reluctant to hire youth at no cost, it is difficult to believe substantially more jobs will be created by reducing the minimum wage.

The large financial incentives that have been offered through the Targeted Jobs Tax Credit Program have proved to be costly and ineffective, and the Treasury Department urged Congress in March to let it expire at the end of 1985.

It is not often that the AFL-CIO can agree with studies produced by the National Chamber Foundation, but Belton M. Fleisher's study on "Minimim Wage Regulation in the United States" makes two points on which we agree—one, that the minimum wage of $3.35 an hour is low; and two, there is no need for a youth subminimum wage.

But it is argued that the small employer—the so-called Mom and Pop stores—will hire these young people to clean up and do odd jobs. But if so, why aren't they doing it now? Because they are not covered by the act unless these firms or these entrepreneurships have gross sales of over $362,500.

Our feeling is that there are alternative approaches for employing young people, and subminimum wage is the wrong way to deal with the real problem. The AFL-CIO has a long record of concern about the serious problem of youth employment. From the early 1960's, the labor movement has been actively engaged in efforts to increase employment and training opportunities for young people, in general, and particularly, for minority youth.

But since 1981, unfortunately, the deteriorating economic situation and the sharp cutback in Federal support for youth training has forced a sharp reduction in these activities. I could then go on and recite various programs in which the AFL-CIO has participated—the AFL-CIO Human Resources Development Institute, working with building and construction trade councils; the National Urban League's Recruitment and Training Program; and of course, the Job Corps training program,which we support very strongly, and which unfortunately, recently, the Senate in its budget would reduce this program by 30 percent.

I might say, Senator Hatch, Lane Kirkland and I were at the Weber Basin Job Corps Center the week that the Senate reduced Job Corps funds, and it was a tremendous shock to 260 young people at the Job Corps Center in Utah that day, to learn that they may be forced out of the training and skill programs that they were in. And we hope now that the House budget resolution will be the product——

The CHAIRMAN. We do not think they will be, even with the 70 percent. As you know, there are some real imbalances in distribution. There are some centers that are not very good; there are others that are terrific, like Weber Basin, which is highly rated among the 107 centers on a performance basis. So I doubt that they will suffer.

So, we are hopeful that we can do some effective reform and really save Job Corps once and for all. I am tired of fighting that battle every time we turn around.

Mr. DENISON. So are we.

The CHAIRMAN. And I do want to thank the AFL-CIO for the leadership you have provided in that area. But this committee is going to have to look at that problem and, hopefully, save it once and for all by doing what needs to be done.

Please continue. I did not mean to interrupt.

Mr. DENISON. Well, I just wanted to conclude by saying that, generally speaking, we are in support of legislation along the lines of that which was supported by Senator Kennedy in the last Congress, and Congressman Hawkins, who again has introduced legislation in this Congress, which would provide for a general program of training and work and education in the provisions of H.R. 671, which would help these very same youth in the age classification 16 to 19 years old, whereby they would have part-time employment during the regular school year up to 20 hours a week; part-time employment during the summer months between regular school years, combined with remedial education, classroom instruction; and also, full-time employment for a period of at least 8 weeks during the summer months, up to a maximum of 40 hours a week.

And that kind of a program, which is a "keep them in school" youth incentive program, is the sort of program we support, and of course, in this program, in the time worked, these young people are paid the Federal minimum wage.

So in conclusion, Mr. Chairman, the AFL-CIO is unalterably opposed to the creation of a subminimum wage for youth, whether temporarily or permanently, whether a pilot program or nationwide. Its benefits accrue to predatory employers and not to workers. We believe that a sincere approach to alleviating the employment problems of young people lies in positive services and training programs targeted to their needs. Thank you.

I would just like to add, if I could, Mr. Chairman, to my statement and for the record, a statement by Dr. Benjamin Hooks of the NAACP, in opposition to the subminimum wage.

The CHAIRMAN. Without objection, we will place that in the record, and we will keep the record open so you can add anything additional.

Mr. DENISON. Fine. And also, the National Association of Government Labor Officials—these are the labor commissioners of the 50 States—are themselves also opposed to the subminimum, and I would like to include that in the record, too, if I may.

The CHAIRMAN. Without objection, we will do that.

Mr. DENISON. And finally, Mr. Chairman, the Youth Coalition for Jobs and Fair Wages—this is the group of young people who demonstrated last week in front of the Labor Department in opposition—have also made a statement on this matter, and I would like to make that a part of the record.

The CHAIRMAN. Without objection, we will place that in the record.

Mr. DENISON. Thank you, Senator.

[The prepared statement of Mr. Denison and the material referred to by him for insertion follow:].

85-21

STATEMENT BY RAY DENISON, DIRECTOR, DEPARTMENT OF LEGISLATION, AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS, BEFORE THE SENATE COMMITTEE ON LABOR AND HUMAN RESOURCES ON S. 797, THE YOUTH SUBMINIMUM WAGE

May 22, 1985

Mr. Chairman, I appreciate this opportunity of presenting the views of the AFL-CIO in opposition to S. 797, the so-called Youth Employment Opportunity Wage Act of 1985. We believe a more fitting title is the Youth Discrimination and Disemployment Act. The minimum wage in America was established as a national statement that employers would not be allowed to exploit their employees by paying subminimum wages. Congress established a floor -- a minimum that was to be the absolute lowest wage considered appropriate in American society. Now we are urged to undermine that floor by exploiting our children. Is there no shame? Properly, we should be here to raise the present deplorable minimum wage.

There are better ways of employing young workers and we will address them.

This bill would permit employers to pay wages below the current legal minimum wage of $3.35, which is itself a subminimum wage, to $2.50 an hour, and -- as we read the pending legislation -- to as low as $2.14 per hour if employees are also full-time students. It would also mean that adults seeking work in jobs paying at or near the minimum wage would be at a competitive disadvantage and these are disproportionately members of minority groups and women.

Promoting S. 797 as a warm weather experiment in wage discrimination is an unfair and ineffective deception hiding behind the noble purpose of creating jobs for young Americans.

Let me try to summarize the various reasons we oppose the subminimum:

1. It discriminates against young workers based on their age.
2. It does not create jobs.
3. It displaces older workers.

4. Enforcement will not take place to prevent displacement.

5. The minimum wage is new a subminimum.

6. Experiments with wage subsidies and subminimums have not alleviated youth unemployment.

Instead of a subminimum, youth unemployment needs to be addressed by improved job and training programs.

Youth unemployment is a serious problem, but it must be put in context. Through most of last summer there were 8.4 million unemployed workers. There were approximately 1.5 million unemployed in the age range of 16 to 19. Thus last summer, youth unemployment was less than 18 percent of the total unemployment problem. Nevertheless a serious problem. Serious, because the unemployment rates for 16 to 19 year olds averaged 18 to 19 percent last summer and are unusually high when compared to the rest of the work force and the expectations and hopes of the young.

However, the unemployment rates of white teenagers is only slightly above that of black adult men and black adult women (15.9 percent white teenagers, 14.4 percent black adult males, and 13.3 percent black adult women). Black teenagers suffer a horrendous 41.3 percent unemployment rate. However, more than three-fourths of the unemployed teenagers are white.

Yet, these high unemployment rates need to be considered in terms of their implications if it becomes national policy to cut minimum wages in relation to unemployment statistics. These comparisons have serious implications for this nation if we seek to deal with unemployment through changes in the minimum wage. The logical extension of this thinking is that there should be a higher minimum wage for white males over age 20 since their unemployment rates is 5.5 percent; somewhat lower minimum for white women with an unemployment rate of 5.8 percent, a still lower minimum wage rate for Hispanics since their unemployment rate is 10.3 percent. The lowest minimum wage for black teenagers, as their unemployment rate, is the highest — 43.3 percent.

Over the next 10 years, youth unemployment will probably decrease simply because teenage population will drop. Thus, this so-called experiment with a youth subminimum will look successful in dealing with unemployment while in fact doing nothing more than cutting the wages of these young workers. The Bureau of Labor Statistics (BLS) analysis of employment for the age group 16 to 19 from 1980 to 1990 shows a drop from 18.0 million in 1980, to 17.2 million in 1982, to 15.1 million in 1990, and to 14.4 million in 1995 -- stated another way there will be 25 percent fewer workers in this age group in 1995 than in 1980. Meanwhile the overall labor force will grow by 25 million, all adults.

The vast majority of young people age 16 to 19 are in the labor force all year, not just in the summer months. According to recent BLS statistics, the summer increase is less than 30 percent of this group's labor force. Thus this bill is based upon false assumptions of young people's labor force attachment.

To the extent that preference is given to workers under 20 in obtaining jobs, the result of a subminimum wage will simply be to transfer unemployment to others who will be struggling for the same minimum wage jobs -- those just over 20, finished with school, trying to start working careers -- or those frozen in low wage careers. This is particularly serious when one realizes who works at or near the minimum wage -- disproportionately black adults and females -- only 30 percent of the minimum wage workers are youthful. This information was developed in 1981 and reported to President Reagan by the Minimum Wage Study Commission, based on unpublished data from the BLS Current Population Survey.

Many of the teenage minimum wage workers are from poverty families. Of the age group 14 to 19, 22 percent of the non-student white minimum wage workers were in poverty households, while 54 percent of the non-student black minimum wage workers were in poverty households. It is unlikely that these young people are working for pocket money. While there is no evidence that a subminimum wage will result in more employment for youths in the selected group, it is almost certain to result in pay cuts for these non-student workers.

Although this bill seeks to prohibit employer abuse of individuals already at work through employer sanctions, this bill ignores two real problems. These problems are who gets the job in the first place and the Department of Labor's enforcement activities.

The bill does not address the question of priority in hiring — the teenager at $2.50 per hour or the laid-off older worker at $3.35 per hour both of whom queue up in long lines whenever job openings are announced. Will adults who normally work in such seasonal industries as golf courses, carnivals, amusement parks, marinas, etc. be pushed to the back of the queue? Will there be a differential between the non-student 16 to 19 years old at $2.50, and the full-time student 16 to 19 years old at $2.14? How many existing low wage workers will have their hours cut and be added to the 5.6 million in the statistic "Part Time For Economic Reasons, Slack Work or Could Only Find Part Time Work"?

A 16-year-old youth is now required to be paid $3.35 an hour, but under this bill, if enacted, could be cut back to $2.50 an hour next month — or next year even though he or she performed the same job.

On the enforcement issue the bill provides stiff penalties if older workers are laid off in favor of younger workers. But, most employers know that there is little likelihood it will be enforced. In fact, a *Journal of Commerce* editorial on May 15, 1985, noted that "Labor (Department) concedes enforcing such penalties on a large scale would be next to impossible." In fact, there is no recent memory of the Employment Standards Administration even seeking a $10,000 fine and 6 months in jail for any violation of the Act.

The enforcement staff at the Department of Labor has been cut back relative to the workload, and basically concentrates on complaints. If the focus of enforcement is on complaints with this bill, who would complain? The older workers who are laid off and gone are not likely to know that they were replaced by subminimum wage workers. Experience under the existing Full Time Student subminimum bares out the lack of enforcement of its displacement bar.

Congressional oversight as provided for in the Fair Labor Standards Act is already hampered by the failure of the Labor Department to provide the required annual reports.

The Department of Labor is supposed to inform Congress of its activities under the Act including enforcement. But the Department of Labor's Employment Standards Administration has not filed the report required by Section 4(d)(1) of the Act for the last 2 years and was over a year late with the 1982 report. Thus, no one has any current information on the Act's enforcement. So much for enforcement, strong penalties, and worker displacement.

The true effect of this bill will be to serve up hundreds of thousands of disadvantaged young and poor workers to employers most willing to take the rather minimal risk of exploiting them. It will undermine the basic precept of the Fair Labor Standards Act — that there should be a fair minimum wage below which no one covered by the law would work. It has been the American custom to pay workers for their contributions and experience, not according to their age group or group unemployment rates. It is a travesty to use the Fair Labor Standards Act as a means to discriminate based on age and indirectly on group unemployment rates — the same act that was designed to prevent employers from exploiting Americans of any age, any sex, any color, any religion, any national origin. A youth subminimum violates any sense of fairness and undermines the concept of equal pay for equal work.

The bill assumes, as an act of faith, that employers will employ more young workers if there is a lower wage rate. The evidence is to the contrary. For over 20 years there has been a subminimum for full time students at 85 percent of the minimum wage or $2.85 per hour. But, its use by employers has been decreasing. In 1979 there were 31,000 firms certified under Section 14 of the Act and 24,000 in 1984. And, the number of full-time students authorized dropped from 512,000 to 211,000 over the same period. Stated another way there are now 29 percent fewer employers who seek the opportunity to hire young students at a subminimum wage than 5 years ago and the number of students authorized at a subminimum is less than half the number 5 years ago.

Those who argue that employers don't know about this rule, or find it a burden, don't give the employers credit for much native intelligence. Section 14 has been in the Act for decades, the subject of public advertising. All that is required is the mailing of a post card. On the postcard form, the employer pledges not to displace other workers and that the employees will be full-time students. This gives the employer authority to pay a youth-student a subminimum wage all year long including summer vacation.

The fact is that there are other reasons employers do not hire young workers and cutting the wages of hundreds of thousands will have little, if any, effect on these business decisions.

Professor Bernard E. Anderson of Princeton and Wharton found that a direct wage subsidy or a tax incentive should have essentially the same effect as a subminimum wage in terms of an employer's decision to hire a young worker. But, tax incentives have not stimulated youth employment. When employers were offered a 100 percent wage subsidy under the Youth Incentive Entitlement Employment Program, employers hired only 21 percent of the 76,000 youths in the program according to a 1983 report. Anderson also called attention to the Rockefeller Foundation studies that offered wage subsidies to employers who would hire young workers. When 50 percent to 75 percent wage subsidies was offered to employers, only 5 to 10 percent of the employers participated. He concluded his observations with "If private sector employers are reluctant to hire youth at no cost, it is difficult to believe substantially more jobs will be created by reducing the minimum wage."

The large financial incentives offered through the Targeted Jobs Tax Credit (TJTC) program are costly and ineffective and the Treasury Department urged Congress in March to let it expire at the end of 1985.

Under the TJTC plan employers hiring disadvantaged young workers receive a tax credit of up to 85 percent of the first $3,000 of the wages. An employer paying the existing minimum wage of $3.35 per hour for 520 hours during the summer months would pay out $1,742, receive a tax credit of $1,481 leaving a real wage cost of $261 or 50¢ per hour. However, even this huge subsidy has not reduced black youth unemployment.

Among other things, the Treasury has argued that employers have taken advantage of the credits for hiring disadvantaged individuals who would have been hired regardless of the tax break. The Treasury has estimated only 11 to 14 percent of eligible economically disadvantaged youths were hired in 1984.

It is not often that the AFL-CIO can agree with studies produced by the National Chamber Foundation, but Belton M. Fleisher's study on "Minimum Wage Regulation in the United States" makes two points on which we agree: One that the minimum wage of $3.35 is low and two, that there is no need for a youth subminimum wage.

Professors Stephen F. Seninger and Garth L. Mangum of the University of Utah queried nearly 1,000 employers in five major cities: "Does the minimum wage law keep you from hiring more teenage workers?" Only 10 percent said yes. This study considered other factors as well and a basic conclusion was that the "general demand for labor in the communities must be looked to as the major explanations of youth unemployment."

These studies and reports go beyond faith in neoclassical economic theory or abstract models, they actually asked employers what they would do, or offered them a wage subsidy and saw that they did not take it, or observed the fact of declining use of the subminimum wage now available. In short, the hard evidence is that a youth subminimum wage would not significantly help with the problem of youth unemployment. While a youth subminimum would not be effective in creating jobs, it would undermine the basic minimum wage and would benefit those employers who used it to exploit 16 to 19 year olds.

But, it is argued that the small employer — the so-called *Mom and Pop stores* — will hire these young people to clean up and do odd jobs. If so, why aren't they doing it now? They are not covered by the Act unless they have gross sales of over $362,500.

The existing minimum wage is already a subminimum in terms of purchasing power. Since Congress last revised the minimum wage with steps starting in January 1978, the cost of living (CPI-W) has risen by 68.5 percent while the minimum wage rose only 26.4 percent from $2.65 in January 1978 to $3.35 in January 1981. If the real value of the minimum wage is to be restored to the January 1978 level, it would have to be increased to $4.47 per hour in March 1985 terms.

The other comparison generally made is with the average wage paid to nonsupervisory production workers in the private sector. Through the 1950's and 1960's the minimum wage usually represented between 50 and 60 percent of the average wage. In 1978, it was 48 percent and today, it is less than 40 percent. To return to the relationship as of 1978, the minimum wage would have to be increased to $4.10 per hour.

There is a real need to increase the minimum wage for 6 million workers employed at or near the minimum wage. The Minimum Wage Study Commission found that 40 percent of those employed at the minimum wage were in low-income households and 28 percent were either the head of household or the spouse. These are the working poor. Forty-three percent of all workers in families below the poverty level held jobs at or below minimum wage and 57 percent were heads of households. It is thus not surprising that in recent years there has been an increasing number of working poor and their families showing up at city and suburban shelters for the homeless and at soup kitchens, since having a job is no assurance of earning a decent living.

Alternative Approaches for Employing Young People

The youth subminimum is the wrong way to deal with the real problems of young people in terms of their needs for education, training, and employment.

The right approach must include improvement and expansion of education, training, work experience, and employment opportunities for young people, with special emphasis on stay-in-school programs and earnings opportunities for disadvantaged youth with school-and-work programs.

The AFL-CIO has a long record of concern about the serious problem of youth employment. From the early 1960s the labor movement has been actively engaged in efforts to increase employment and training opportunities for young people generally and particularly for minority youth. Since 1981, unfortunately, the deteriorating economic situation and the sharp cutback in federal support for youth training has forced a sharp reduction in these activities.

For example, union-sponsored and union-supported apprenticeship outreach programs brought 60,000 minority and female young people into the skilled trades in the 1960's and 1970's. More than 100 apprenticeship outreach programs were operating, many of them administered by labor organizations, including the AFL-CIO Human Resources Development Institute (HRDI) working with local building and construction trades councils. Also, many apprenticeship outreach programs were administered by two labor-supported groups, the National Urban League and the Recruitment and Training Program. A number of national and international unions extended the outreach concept with special pre-apprenticeship training programs for minority and female youth to prepare them for entry into regular apprenticeship in construction and other apprenticeable trades.

Unfortunately, the Reagan Administration failed to maintain necessary support for these programs, and the outreach programs were phased down during 1981-1982.

The successful Job Corps training program — which involves a great deal of labor participation, labor involvement, and labor support — continues, although the recently passed Senate Budget would reduce the Job Corps by 30 percent. There are no hard figures on the number of union-trained Job Corps participants, but we estimate that it is several thousand a year through the 107 Job Corps centers across the country. The Job Corps is aimed at training hard core unemployed youth and preparing them for skilled careers in diverse fields of endeavor. It teaches discipline as well as basic job skills. It trains them for meaningful careers, not unskilled low-paying jobs with no future.

A new study done for the National Commission for Employment Policy looked at job training programs operated by 25 service delivery areas and 15 states during the first 9 months of the Job Training Partnership Act (JTPA). Among other things, the study found that "JTPA is tilting toward the provision of low-cost, short-term, minimum support activity for those eligible applicants best equipped to enter immediate employment." Because the Job Corps program is such a good and effective program in addressing the problem of structural unemployment, it would be a tragic loss if the program were a casualty to this year's Congressional budget process.

There are many other continuing union efforts to serve minority youth — ranging from pre-apprenticeship training to special summertime activities. And HRDI efforts to help minority youth are currently focused on helping unions develop programs using local resources under the Job Training Partnership Act, where labor organizations at the local level can make use of knowledge gained from past programs to meet the continuing needs of minority youth.

One key point is an essential preface to consideration of education, training, and employment for young people. Full employment is a basic prerequisite for an effective array of youth employment and training programs. Such programs can be fully effective only within the context of a healthy, expanding, full employment economy. Economic growth and full employment are essential if this nation is going to deal effectively with the employment needs of young people as well as the employment needs of adult workers.

The AFL-CIO supports the full employment commitment of the Humphrey-Hawkins Full Employment and Balanced Growth Act of 1978. Unfortunately, the American economy still falls short of full employment, and present Reagan Administration policies do not give high priority to reduction of persistent high unemployment. With persistent high unemployment a general problem, it is not surprising that young people and teenagers are particularly hard hit.

Many experimental demonstration youth programs have been tested, including one conducted in 1979-1981 by the AFL-CIO Human Resources Development Institute which served more than 600 disadvantaged young people. This successful HRDI program offered a combination of summer and in-school services to help young people formulate employment goals for the future and to get the education and training they need for the jobs they want. The results of that program confirm the value of the general approach taken in Senator Kennedy's Bill (S. 2397) or Congressman Hawkin's Bill (H.R. 5017) which was considered but not passed in the last Congressional session. The bill would encourage disadvantaged young people to resume or maintain attendance in high school or some other appropriate education or training program.

This bill, which has been re-introduced this year as H.R. 671, would be an extension of the successful youth incentive entitlement pilot program operated by the Manpower Demonstration Research Corporation from 1978 to 1980 under the Youth Demonstration Projects Act of 1977. The pilot program placed 76,000 low-income young people aged 16 through 19 in part-time jobs during the school year and in full-time jobs during the summer. One key finding of this pilot program was that work experience for minority in-school students can lead to improved employment and earnings after the young people have left the program.

Therefore, we support the purpose and the general approach of H.R. 671 which would help economically disadvantaged youth aged 16 to 19 with:

1. Part-time employment during the regular school year up to 20 hours a week;

2. Part-time employment during the summer months between regular school years, combined with remedial education, classroom instruction, or on-the-job or apprenticeship training; and

3. Full-time employment for a period of at least 8 weeks during the summer months between regular school years, up to maximum of 40 hours a week.

We recognize the benefits which can be achieved for public agencies and private non-profit organizations and for participating disadvantaged young people through carefully monitored employment and work experience combined with education and training. We supported such a "keep them in school" youth incentive entitlement program under the 1977 Youth Employment Demonstration Project Act and we continue to support this general approach in H.R. 671.

We particularly support provisions in H.R. 671 which require payment of at least the regular federal minimum wage. The proposed youth school-and-employment programs would not be "make-work" projects. These programs could help local public agencies facing serious budget reductions, but they must be carefully monitored and policed to prevent substitution or displacement of regular workers.

In conclusion, Mr. Chairman, the AFL-CIO is unalterably opposed to the creation of a subminimum wage for youth, whether temporarily or permanently and whether a pilot program or nationwide. Its benefits accrue to predatory employers and not to workers. We believe that a sincere approach to alleviating the employment problems of young people lies in positive services and training programs targeted to their needs.

American Federation of Labor and Congress of Industrial Organizations

815 Sixteenth Street, N.W.
Washington, D.C. 20006
(202) 637-5000

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May 23, 1985

Honorable Orrin Hatch
Chairman
Committee on Labor and Human Resources
United States Senate
428 Dirksen Building
Washington, D. C. 20510

Dear Mr. Chairman:

Thank you for the opportunity to testify before your Committee on Wednesday, May 22, on the issue of the sub-minimum wage.

With your permission given at the time of my appearance I am enclosing, for the Committee's hearing record, copies of statements by organizations also opposed to this legislation.

These are:

1. Statement by Dr. Benjamin Hooks, Executive Director of the NAACP;

2. Statement by National Association of Government Labor Officials and a memorandum from John C. Brooks, Labor Commissioner of the State of North Carolina; and

3. Statement by the Coalition for Youth, Jobs and Fair Wages.

Thank you for allowing for these additions to the hearing record.

Sincerely,

Ray Denison

Ray Denison, Director
DEPARTMENT OF LEGISLATION

RD/rw
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Enclosures

May 22, 1985

Statement by Dr. Benjamin L. Hooks, Executive Director of the
National Association for the Advancement of
Colored People

The NAACP is opposed to the 1985 version of sub-minimum wage legislation as it opposed the earlier renditions of the same unfair scheme.

A sub-minimum wage would have a disparate, negative impact on black youth. The price of a loaf of bread, a quart of milk, a pair of blue jeans and a ride on the bus or train to the suburbs where the jobs are is the same if you were paid the current minimum or the proposed sub-minimum.

Black young people already face racial discrimination in seeking employment. They should not also suffer wage discrimination.

The NAACP does not believe young people employed at substandard wages will receive the kind of skills, training or work experience that will prepare them for permanent work and upward mobility at decent wages. Substandard wages mean sub-standard jobs that benefit only the employers seeking to exploit younger workers.

The NAACP submits that enactment of a youth wage differential will erode the already minimal standard of living for black Americans; will exploit teenagers in the workplace; will not create jobs; will increase employer profits at the expense of younger workers; will not benefit black and other minority youth who are the highest unemployed group in the work force; will displace older workers, and will lead to a permanent undermining of the minimum wage.

Department of Labor
State of North Carolina
214 West Jones Street
Raleigh 27603

John C. Brooks
Commissioner

1985 MAY 17 AM 9 31

MAY 20 1985

MEMORANDUM

TO: Members of the United States Congress

FROM: John C. Brooks

DATE: May 14, 1985

RE: Subminimum Wage for Youths -- Opposition

Attached is a copy of a resolution opposing any form of authorization for any kind of subminimum wage for youths which was unanimously adopted by the commissioners of labor of the various states July 29, 1982 and again, January 30, 1985. This opposition is important in that it reflects both the views of the commissioners of labor from states that are highly unionized and those which are almost free of unions alike.

The foremost reason for the unanimity is our view that paying anyone under $3.35 an hour is a form of human exploitation. This is particularly true when one reviews the studies which show youthful employees to be above average in productivity. Moreover, many youths are working to earn expense money with which to attend college. If congress permits jobs to be established with lower wages, lower wages will be paid. The result will most assuredly be that fewer youths will be able to meet the increasing costs of attending college.

The administration declares that the proposed subminimum wage for youths for the summers of 1985, 1986 and 1987 will provide an additional 400,000 jobs for youths who would otherwise be unemployed. It is the view of the commissioners of labor of the 50 states that there is no evidence that the subminimum wage would give rise to any appreciable increase in jobs. On the other hand, we do know that such a proposition would principally be taken advantage of by fast food establishments. Those of us with the responsibility for enforcing minimum wage laws know that we have totally inadequate staffs to handle the extensive abuse which history has taught us is to be expected. The additional costs to government will exceed the benefits to the youths for whom the legislation is thought to be designed. Therefore, it would be cheaper to the taxpayer to reinstitute public sector summer jobs for youths at government expense.

It is also the responsibility of the U.S. Congress and the United States and state departments of labor to be concerned about the employment plight of our elderly citizens. Many of the elderly have already worked a reasonable lifetime only to find that their retirement income has been eroded by inflation to an extent that forces them to seek continued employment. The proposed subminimum wage for youths would undercut thousands of jobs held by the elderly who are dependent upon these jobs in order to continue a lifestyle that they constructed during their years of peak employment. The proposed subminimum wage for youths would wallop the elderly in a very harsh manner.

I join with the other commissioners of labor in asking that you assist in resoundingly defeating this proposed legislation.

JCB/dm

Enclosure

NAGLO
National Association of
Governmental Labor Officials

RESOLUTION AGAINST AUTHORIZATION OF SUBMINIMUM WAGE FOR YOUTH

WHEREAS: The concept of minimum wage laws is to establish an economic floor below which no worker should be allowed to fall and is not a level to which to aspire, and

WHEREAS: Inflation has eroded the value of the minimum wage to the point where the current minumum wage is worth less than the 1964 minimum wage of $1.15 per hour, and

WHEREAS: The $3.35 per hour minimum wage which took effect January 1, 1981 has already been reduced 10% by inflation and is about to drop to below $3.00 in 1981 dollar worth, and

WHEREAS: Discussions of the creation of subminimum wage classes and categories persist, most often in the name of economic development, economic recovery or as a solution to the high levels of unemployment among inner city youths, and

WHEREAS: A subminimum wage for youths merely encourages the displacement of hard to employ full time adults with part time youths, and

WHEREAS: The increased cost of post secondary education has already risen beyond the reach of many of this nation's young people, now

THEREFORE BE IT RESOLVED: That the National Association of Governmental Labor Officials assembled in convention this 29th day of July 1982, do hereby go on record as being opposed to any further erosion of minimum wage coverage for this nation's working people and opposed to any subminimum wage for youths 16 years of age or older, and

BE IT FURTHER RESOLVED: That a copy of this resolution be forwarded to the President of the United States, Honorable Ronald Reagan; Secretary of Labor, Honorable Raymond J. Donovan; Senator, Honorable Orin Hatch, Chairman of the Labor and Human Resources Committee of the U.S. Senate and to Congressman Carl Perkins, Chairman of the Committee on Education and Labor of the House of Representatives.

BE IT FURTHER RESOLVED: That this body does hereby reiterate the aforementioned position and remains in opposition to a subminimum wage for youth and wishes this resolution to be forwarded again to the appropriate individuals. Decided by unanimous vote this 30th day of January, 1985.

AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS
815 Sixteenth Street, N.W., Washington, D. C. 20006

MEMORANDUM

Date: May 22, 1985

To: Ray Denison, Legislative Director

From: John Zalusky

Subject: Youth Subminimum could be as low as $2.12 per hour

The phrase "subminimum of $2.50 per hour to as low as $2.14 per hour" is an error. It should read "to as low as $2.12 per hour."

The Bill amends Section 6(c) by providing a youth subminimum of $2.50 per hour. The existing lower minimum wages for full-time students stem from Section 14 which is amended by the Bill. Section 14 reads ..."permits the Secretary to establish a lower minimum wage for full-time students at 85% of the otherwise applicable minimum wage in Section 6." The 1974 amendments address Section 6(c) but can be read to relate to apply to the whole of Section 6.

If this is not the intent of the Bill and students are employed, the alternative interpretation is that some students will be working at $2.85 and some at $2.50 per hour, depending upon the date of hire. The imperfection in the Bill stems from failure to address Section 14 which provides other subminimums.

opeiu #2, afl-cio
JLZ:wb

NO SUBMINIMUM WAGE ! ! !

If President Reagan, Secretary of Labor Brock and certain members of Congress have their way, young people will earn substantially less on summer jobs. They want to pass a bill that will allow employers to pay people up to the age of 20 less than the minimum wage. Under the President's proposal, even if they made $3.35 an hour last summer, and are still under the age of 20, they would earn $2.50 an hour this summer -- for doing the very same work!

Supporters of a lower wage for young people include businesses that rely on a young work force. They stand to make a great deal of profit by paying their employees less money for their work. These businesses have theories for their subminimum wage arguments, but the reality will be quite different:

Business Theory:	Emloyers might be encouraged to create new jobs.
Business Reality:	Employers will not create jobs they don't need; infact, it may create incentives for employers to hire cheap younger workers at the expense of more costly older workers.
Business Theory:	Employers argue that young people are undisciplined, unproductive and unskilled and therefore need extra training which is costly.
Business Reality:	The majority of jobs held by young people do not take long to learn. For example, how long does it take to learn to make a milk shake or flip a burger?
Business Theory:	Lower wages will help put young minority teenagers to work.
Business Reality:	History is very clear on this point. Unemployed and underemployed people -- blacks, hispanics, women -- only advanced when they fought for equal pay and equal status, not less pay and less status.

A sub-minimum wage will not put 8 million unemployed people back to work. A lower wage rate for one group in society is a very bad precedent and a form of discrimination. Young people, like all people, deserve a fair day's pay for a fair day's work.

Greg Moore
United States Student
Association

Frank Slobig
Roosevelt Centennial
Youth Project

Ruth Kobell
National Farmer's Union

William R. Hutton
National Council of
Senior Citizens

Ann Schwartzman
Delaware Vally Coalition
for Jobs

William Simons
Washington Teachers
Union

Joel Kleverkamp
Frontlash

Kathy McShea
College Young Democrats
of America

Richard Yep
American Association
for Counceling and
Development

Bill Morton
NAACP

Ellen Vollinger
Full Employment
Action Committee

Norman Nixon
DC Young Democrats

Kathy Shulman
Americans for Democratic
Action

Kathy Lipscomb
American Federation of
State County and Municipal
Employees

Katie Johnson
Rural Coalition

Jay Harvey
FAST/AFL-CIO

Nick Ryan
Southern Counties Action
Movement

The **Chairman**. Mr. Denison, does the AFL-CIO support the concept of on-the-job training? I think we both agree that you do——

Mr. **Denison**. Indeed.

The **Chairman** [continuing]. Through Job Corps and the other approaches that you have described.

And you also support the many vocational schools, community colleges, community-based organizations, and other training institutions for young people in our country, as well, as I understand it.

Mr. **Denison**. Yes.

The **Chairman**. My question, then, really comes down to why you, then, think it is unreasonable for young people, who may have limited personal resources, to, in essence, buy their job training by going to work for a youth employment opportunity wage? Why wouldn't it follow that this is another way of getting young people an opportunity for job training; the only diffrence is that the Government is not really subsidizing. We are trying to get these jobs, real jobs, in the private sector.

Why should that be so heinous to the AFL-CIO, when you are willing to support all these other Government-subsidized approaches toward job training and education of youth?

Mr. **Denison**. Well, we did not support targeted jobs credit, for example.

The **Chairman**. We know.

Mr. **Denison**. But in each of these cases, the product is the youngster who leaves, goes into the job market, and then is paid at the minimum wage at least or above. So there is a floor. We are not saying the minimum wage is a ceiling, and that is something that one has to leap over in order to get into the job market. This is a floor.

The **Chairman**. You are treating the minimum wage like it is some sort of a magical floor that nobody should ever go below.

For instance, what do you suggest we tell these 1.5 million unemployed youth in response to the point that the problem is going to solve itself when the teenage population drops, when they reach the age of 26 years old and are no longer unemployed youth but they become unemployed adults, and on welfare the rest of their lives.

I find it amazing that nobody ever uses that argument when the issue is additional Federal programming. It seems to me——

Mr. **Denison**. No; we are concerned about that, and we are concerned about them the same way we are concerned——

The **Chairman**. Then, why not give it a try?

Mr. **Denison** [continuing]. About their big brothers and their parents, and others who are among the 8 million people without jobs. When you see the cyclical movement here, based on the economic declines we have had, and when it drops and when it rises, these are not because of the subminimum wage or because of the minimum wage change. These are changes that came about as a result of the economic activity.

The **Chairman**. Well, there are arguments on both sides of that issue. But you see, what we are saying here today is what the Secretary of Labor and these representatives of the young people's organizations said, and what the black mayors said. I am not sure anybody can say this is absolutely going to produce 400,000 jobs or

650,000 jobs or 100,000 jobs, or any at all. I believe that it will. The Secretary of Labor believes that it will. Many organizations do.

But on the limited basis that Secretary Brock is describing, why not give it a try? Why not at least give these kids a chance?

Mr. DENISON. We want to give these kids a chance, and we think the way to do it is in these programs where they have a combination of work programs and educational programs, where they can then go out of that and start at this floor. But if they go out at something below the floor, with no knowledge of how to even apply for a job or to go through an interview, then I think we do them a big disservice.

On top of that, what we have today is a seasonal market in this country, where many, many people go to work in summer jobs alone. What we are going to have here—and of that summer job market, only 30 percent of which represents young people between 16 and 19 years old. So, we are going to go in for 30 percent of that market, drop that rate from $3.35 down to $2.50, and impact the entire 100 percent of the summer job market as a means of hoping that maybe someone might add another job, but meanwhile, having totally destroyed the wage schedule; how many young people who are relying on $3.35 an hour or $2.85 an hour, to help pay for their college programs, at $2.50 an hour will have insufficient money to then go on to college? I think all kinds of damage and danger are a part of this package, and I do not think they produce the jobs. If they produce the jobs, and there was any demonstration that they did produce jobs, we would perhaps support it. But all of the experience has been that they have not——

The CHAIRMAN. Well, we will never know unless we try.

Mr. DENISON [continuing]. In this country. England is about to do away with its subminimum wage; it has not worked there——

The CHAIRMAN. England has never had a subminimum differential.

You see, Ray, all I am saying is that we do not know because we have not tried. You say if it works, you would support it.

Mr. DENISON. I said no. I said we might take a look at it, but there has been no evidence that—you would have to then set up an equation. If there was a massive, overwhelming job creation as a result of this, then it might be worth looking at. But the danger, the destruction——

The CHAIRMAN. Well, what if that is so?

Mr. DENISON [continuing]. Has been so great on the other side in terms of undermining the wage base. We have already, in terms of the student subminimum, the $2.85 an hour. We have all these mom and pop shops all over the country. Secretary of Labor Donovan says, "I think a youth who wants a job sweeping out a barbershop should have the chance." That youngster is not even covered under the law. I am sure there is not a barbershop that has a threshold of $360,000 a year. If they are, they are doing more than cutting hair.

The CHAIRMAN. All I am saying is this. It is one thing to talk about the kids who do have an opportunity, who can get jobs, who can get into these vocational schools, who can get into the community schools, who can get into the jobs and the entry-level positions that pay the minimum wage or better. There are a lot of kids who can do that—and that is great, and more power to them.

We are talking, really, about the underclass kids, the kids that will never see a job unless we provide some opportunities.

Now, you do not know—you are citing economists who say that it will not work. Well, we are citing all kinds of economists who say that it will work. I think the Secretary of Labor was honest when he said, "I don't know how this is going to work. We think it will work very well, but we do not know. If it does not work, we will come in and repeal it, or get rid of it." The way the bill is written, it is only a 3-year bill, anyway; it is only a 3-year opportunity to look and see if it will work.

It seems to me the only way we can know for sure is to give it a try. That is all we are asking is that the AFL-CIO—you have been leaders in many ways for the kids who can get the jobs, anyway support a 3-year test.

Mr. DENISON. All I can say, Senator, is that since 1981, the minimum wage has become a subminimum wage, and we have not seen any increase in employment. The argument was made earlier that as the minimum wage goes up, the jobs go down. Well, the minimum wage has gone down; why haven't the jobs gone up?

The CHAIRMAN. Well, the minimum wage has stayed the same. You are saying that because of inflation, it actually has less purchasing power.

Mr. DENISON. Yes, absolutely.

The CHAIRMAN. Well, again——

Mr. DENISON. So, it has not worked. The minimum wage has gone down, and the jobs have not been produced.

The CHAIRMAN. Well, that is nice to say, but what we are claiming——

Mr. DENISON. It is right there on the charts.

[The charts referred to follow:]

Williams. "Government Sanctioned Restraints That Reduce Opportunities for Minorities". Policy Review, 1978,

TABLE 1.
Male Civilian Labor Force Participation Ratio by Race, Age

		B/W Males 16-17	B/W Males 18-19	B/W Males 20-24	B/W Males 16 and over
	1954	.98	1.11	1.05	1.00
	1955	1.00	1.01	1.06	1.00
1.00/hr	1956	.98	1.08	1.01	.99
	1957	.95	1.01	1.03	.99
	1958	.96	1.03	1.02	1.00
	1959	.92	1.02	1.04	1.00
	1960	.98	1.03	1.03	1.00
1.15/hr	1961	.96	1.06	1.02	.99
	1962	.93	1.04	1.03	.98
1.25/hr	1963	.87	1.02	1.04	.99
	1965	.88	1.01	1.05	.99
	1966	.87	.97	1.06	.98
1.40/hr	1967	.86	.95	1.04	.97
1.60/hr	1968	.79	.96	1.03	.97
	1969	.77	.95	1.02	.96
	1970	.71	.92	1.00	.95
	1971	.65	.87	.98	.94
	1972	.68	.85	.97	.93
	1973	.63	.85	.95	.93
2.00/hr	1974	.65	.86	.96	.92
2.10/hr	1975	.57	.79	.92	.91
2.30/hr	1976	.57	.77	.91	.90

SOURCE: Computed from U.S. Department of Labor, Bureau of Labor Statistics, Handbook of Labor Statistics 1975—Reference Edition (Washington, D.C.: U.S. Government Printing Office, 1975), pp. 36-37; U.S. Department of Labor, Bureau of Labor Statistics, Employment and Unemployment in 1976: Special Labor Force Report 199 (Washington, D.C.: U.S. Government Printing Office, 1977)

TABLE 2.
Comparison of Youth and General Unemployment by Race (Males)

Year	General	White 16-17	Black 16-17	B/W Ratio	White 18-19	Black 18-19	B/W Ratio	White 20-24	Black 20-24	B/W Ratio
1948	3.6	10.2	9.4	.92	9.4	10.5	1.11	6.4	11.7	1.83
1949	5.9	13.4	15.8	1.18	14.2	17.1	1.20	9.8	15.8	1.61
*1950	5.3	13.4	12.1	.90	11.7	17.7	1.51	7.7	12.6	1.64
1951	3.3	9.5	8.7	.92	6.7	9.6	1.43	3.6	6.7	1.86
1952	3.0	10.9	8.0	.73	7.0	10.0	1.43	4.3	7.9	1.84
1953	2.9	8.9	8.3	.93	7.1	8.1	1.14	4.5	8.1	1.80
1954	5.5	14.0	13.4	.96	13.0	14.7	1.13	9.8	16.9	1.72
1955	4.4	12.2	14.8	1.21	10.4	12.9	1.24	7.0	12.4	1.77
*1956	4.1	11.2	15.7	1.40	9.7	14.9	1.54	6.1	12.0	1.97
1957	4.3	11.9	16.3	1.37	11.2	20.0	1.70	7.1	12.7	1.79
1958	6.8	14.9	27.1	1.81	16.5	26.7	1.62	11.7	19.5	1.66
1959	5.5	15.0	22.3	1.49	13.0	27.2	2.09	7.5	16.3	2.17
1960	5.5	14.6	22.7	1.55	13.5	25.1	1.86	8.3	13.1	1.58
*1961	6.7	16.5	31.0	1.88	15.1	23.9	1.58	10.0	15.3	1.53
1962	5.5	15.1	21.9	1.45	12.7	21.8	1.72	8.0	14.6	1.83
*1963	5.7	17.8	27.0	1.52	14.2	27.4	1.93	7.8	15.5	1.99
1964	5.2	16.1	25.9	1.61	13.4	23.1	1.72	7.4	12.6	1.70
1965	4.5	14.7	27.1	1.84	11.4	20.2	1.77	5.9	9.3	1.58
1966	3.8	12.5	22.5	1.80	8.9	20.5	2.30	4.1	7.9	1.93
*1967	3.8	12.7	28.9	2.28	9.0	20.1	2.23	4.2	8.0	1.90
*1968	3.6	12.3	26.6	2.16	8.2	19.0	2.31	4.6	8.3	1.80
1969	3.5	12.5	24.7	1.98	7.9	19.0	2.40	4.6	8.4	1.83
1970	4.9	15.7	27.8	1.77	12.0	23.1	1.93	7.8	12.6	1.62
1971	5.9	17.1	33.4	1.95	13.6	26.0	1.91	9.4	16.2	1.72
1972	5.6	16.4	35.1	2.14	12.4	26.2	2.11	8.5	14.7	1.73
1973	4.9	15.1	34.4	2.28	10.0	22.1	2.21	6.5	12.6	1.94
*1974	5.0	16.2	39.0	2.41	11.5	26.6	2.31	7.8	15.4	1.97
*1975	8.1	19.7	45.2	2.29	14.0	30.1	2.15	11.3	23.5	2.08
*1976	7.0	19.7	40.6	2.06	15.5	35.5	2.29	10.9	22.4	2.05

Source: Adapted from Department of Labor, Bureau of Labor Statistics, Handbook of Labor Statistics 1975—Reference Edition (Washington, D.C.: U.S. Government Printing Office, 1975), pp. 103-05; U.S. Department of Labor, Bureau of Labor Statistics, Employment and Unemployment in 1976, Special Labor Force Report 199 (Washington, D.C.: U.S. Government Printing Office, 1977).

*Shows change in the Federal minimum wage law.

Brown, Gilroy, and Kohen. "Effects of the Minimum Wage on Youth Employment and Unemployment". in Report of the Minimum Wage Study Commission, Volume V, 1981.

Table 4

Estimated Impact of a 10 Percent Change in the Minimum Wage on Teenagers 16-19 Years, by Sex and Race

	Per Cent Change in Employment (10xElasticity)					Change in Unemployment Rate (in percentage points)				
	White Males	White Females	Nonwhite Males	Nonwhite Females	All Workers	White Males	White Females	Nonwhite Males	Nonwhite Females	All Workers
Kaitz(1970)	-1.210*	-.746*	1.165*	.436*	-.98* (2.3)	.198*	-.034*	-1.336*	.319*	-.006*
Adie(1971)	—	—	—	—	—	.733*	3.234*	5.793*	12.761*	2.325*
Moore(1971)	—	—	—	—	—	2.968* (4.8)		8.908* (6.8)		3.649*
Kosters-Welch(1972)	-3.31*	-2.41*	-3.56*	-3.01*	-2.96*	—	—	—	—	—
Lovell(1972)[b]	—	—	—	—	—	-.067*	.030*	-.316*	.797*	-.081*
Adie(1973)	—	—	—	—	—	.160 (1.3)	.706* (3.4)	1.925* (4.3)	2.787* (6.1)	.316* (3.3)
Lovell(1973)[b]	—	—	—	—	—	-.473*	-.181*	.494*	.505*	-.269*
Kelly(1975)	-1.620*	-.706*	-1.775*	-.080*	-1.296*	—	—	—	—	—
Kelly(1976)[c]	-.35*	-.96*	—	—	-.66*	—	—	—	—	—
Gramlich(1976)	—	—	—	—	-.94*	—	—	—	—	—
Hashimoto-Mincer(1970) & Mincer(1976)	-2.05*		-4.65		-2.31*	.412*		.693*		.443*
Welch(1976)	—	—	—	—	-1.78* (2.2)	—	—	—	—	—
Ragan(1977)	-.81*	-.09*	-.356*	-.10*	-.65*	.91*	.42*	.83*	.10*	.73*
Mattila(1978)[c]	-.72*	-1.00*	—	—	-.84*	.08*	.23*	—	—	.10*
Al-Salam, Quester & Welch(1979)	—	—	—	—	-1.19*	—	—	—	—	—
Freeman(1979)	—	—	—	—	-2.46*	—	—	—	—	.00*
Ragan(1979)	-.41*	-.37*	-3.51*	.51*	-.52*	—	—	—	—	—
Wachter-Kim(1979)	-1.083*	-1.721*	-3.296*	-7.716*	-2.319*	.431*	.306*	.285*	1.814*	.312*

Notes:

* = statistically significant (t-statistics in parentheses below coefficients).

a = No significance tests available because reported coefficients were calculated from disaggregated data or (for unemployment effects) from employment and labor-force effects.

b = Equations are based on the unemployment/population ratio; while they have been converted to unemployment rate impacts, they are not strictly comparable.

c = Estimates are not disaggregated by race; impacts shown in "white" columns are for all members of that column's age-sex group.

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The CHAIRMAN [continuing]. And we think we have plenty of economic evidence—that if you reduce the minimum wage to $2.50 an hour, you are going to be able to create 400,000 to 600,000 jobs.

Mr. DENISON. Well, that is out of the air.

The CHAIRMAN. Now, the whole history of the minimum wage—and let me put this into the record at this point, a table listing the male civilian labor force participation by race and by age—and we can show that every time the minimum wage has gone up, regardless of whether inflation has influenced it or not, that the employment, both young black males and young white males, that their percentage has gone down. There is just no question about it.

Mr. DENISON. So then I ask, do the charts also show that the jobs go down when the minimum wage——

The CHAIRMAN. Well, we have a difference here. All I am saying is give it a try. Give it a try on a limited basis. That is all the Secretary of Labor is saying. If it works, we will know. If it doesn't work, then we will know that too. If it works, however, we will put 400,000 to 600,000 kids to work if it works according to the way the economists and the Secretary are estimating. If it does not, we are not going to. But like he says, even if it produces 100,000 jobs, you are not asking the taxpayers to pay for it. He does not think it will cost us adult jobs. We ought to give it a try. If it does not work, let's lead the charge together to repeal it, even earlier than the 3 years.

Mr. DENISON. We do not think our Nation is in such a terrible state that we have to undermine what is now a floor as a means of allowing employers to simply exploit young peole. The $3.35 an hour is a floor. It is a minimum. If a small business cannot meet that because of their gross income per year, they are not covered, and they have the right to use full-time students at $2.85 now. And so, there are options there, written in the law over the years, that take care of these various situations.

And, the records have shown that over the years, the student provision is used now less than it was before. Employers are not even sending in and applying to the Labor Department in the numbers that they once did. I think I have in my testimony at some point the decline in employer applications for the utilization of the full-time student subminimum.

The CHAIRMAN. Well, I get from employers, especially small business employers—and my State is mainly small business—that the paperwork burden of applying to be able——

Mr. DENISON. It is not a paper. It is a card; it is a postcard.

The CHAIRMAN. Well, even if so, compliance is——

Mr. DENISON. That was taken care of in the last Congress, when the employers came in at that time and objected to the paperwork. They fill out a postcard, and they send it in, and they say they will adhere to the law and pay that rate, and if they have fewer than six, they do not even have to go through any kind of paperwork.

The CHAIRMAN. Have you read the packet on how they apply for that? It is not a card, I will guarantee you that. It is a very complex and difficult thing to figure out.

Mr. DENISON. You are talking about when they are applying for large numbers of full-time students. But if they are applying for only six or fewer, it is a postcard.

The **CHAIRMAN**. OK.

Mr. **DENISON**. A place like McDonald's, or something applying for them in a large scale, they have a huge personnel department, and I am sure they can show every one of these hamburger stands exactly how to obtain these people to work at the $2.85 rate.

The **CHAIRMAN**. Let me turn to Senator Pell.

Senator, could you close up the hearing?

Senator **PELL**. Certainly.

The **CHAIRMAN**. I have got to go to another meeting.

I want to thank you for coming in advance, Mr. Denison. I just hope someday, we can work on this together, because I would like to stride down the street side-by-side with you and see if there is some way we can have a test case with your full support and help, because I think it would be very, very helpful. It would certainly make it a lot more bipartisan, and that is the way I think this really ought to be.

Mr. **DENISON**. We would be willing to sit on any kinds of discussions that go toward creating jobs and go for programs that both educate and train. But we would not be party to any agenda that included exploitation of young people through the wages.

The **CHAIRMAN**. Senator Pell.

Senator **PELL** [presiding]. Thank you, Mr. Chairman.

First, I think it is very important that we start from the same statistical base. I notice that you mention here in your testimony that the unemployment rate of white teenagers is only slightly above that of black adult men and black adult women—15.9 percent white teenagers; 14.4 percent black adult males; 13.3 percent black adult women.

That would not seem to accord with those statistics that show the black unemployment rate of teenagers being double that of white ones.

How do you account for the discrepancy?

Mr. **DENISON**. Well, they do. We are talking about 41.3 percent in terms of black teenagers, and if that is the teenage line, it would be the same, 41.3.

Senator **PELL**. You have here, "Black teenagers suffer a horrendous 41 percent." I see. So you are cranking into these statistics the older workers, as well?

Mr. **DENISON**. Parenthetically, yes. We show what they are for other people—white teenagers, black adult males, black adult women, and contrast them with—yes, this terrible problem with black teenagers.

Senator **PELL**. OK; I understand that. I agree with you. I think the approach of the Kennedy bill, the Youth Incentives Opportunities Act, sounds very good, indeed.

We should probably take more than one approach before we are through. I think Senator Simon mentioned earlier the thought that the Government should be the employer of last resort, if necessary. In that connection, what would be your own viewpoint? Do you think the Government should be the employer of last resort?

Mr. **DENISON**. Indeed, Senator. We were one of the staunch supporters of the Humphrey-Hawkins full employment law, and we had hoped for a lower tolerable unemployment rate than finally was produced in that legislation. We were hopeful that it would be much more implementive than it turned out to be, and that not only as rhetoric would the Federal Government be the employer of last resort, but in fact.

We achieved the rhetoric; we did not get the fact.

Senator **Pell**. As of now, as I was mentioning to the Secretary, the employers of small businesses have, really, tremendous leeway, because they may be exempted from the minimum wage. We read this phrase, that "Exempted are any employees engaged in any retail or service establishment, the greater part of whose selling or servicing is in interstate commerce." That means you could still be engaged in some interstate commerce, as long as that was not a majority.

I must say, I wonder if this exception here is being taken full advantage of. Do you know?

Mr. **Denison**. Well, as we say in the testimony, we assume employers have some modicum of native intelligence, and I know that many people with whom I am acquainted and who have small businesses, and know they are not covered by the Minimum Wage Act, pay what they are able to get away with, whether it is in resort areas, or carnivals, or around the clock—if they do not have to pay, they do not pay, unless you have a situation that is peculiar, such as in Washington, with Fairfax County, where it strikes us as unusual that they have to send vans to the far reaches of the State in order to bring people to work in that area, when there are people nearby in the District who are able, skilled, and available, and the bus ride would be a heck of a lot shorter.

Senator **Pell**. Well, I think the reason for that is the prejudice against black workers.

Mr. **Denison**. Well, I think there is some of that, and no doubt about it. But also, I think there is a concern that in the District, generally, the wage scales are higher than they are in Virginia. If you try to get hotel workers to go over and work in these new hotels that are opening up on the Virginia side, it is much more difficult, because the wage scale is lower. And yet to ride the same subway, or a loaf of bread, or a gallon of gas, is all the same price. So, one naturally is going to go where the benefit is greater.

Senator **Pell**. Well, the wages may be higher here, but the unemployment is much higher, too, so the pool of available labor should be here.

What would be your idea of a demonstration of this in a specific geographic area?

Mr. **Denison**. Well, as we say in the testimony, we would be opposed to——

Senator **Pell**. I have read your testimony, and I realize you are saying that you would be opposed to it. But just probe with me a little bit here now, verbally—do you see any possibility of reaching any kind of compromise with the administration on this?

Mr. **Denison**. Well, we think it is the wrong idea at the wrong time. In other words, if there is a sincere desire on the part of the administration to do something about the horrendous unemployment of young people, it is through the kinds of programs that have worked and not through the kinds of programs that obviously will not work if they are simply to exploit and displace.

But if you have the Job Corps, you have the summer programs, you have along the lines of the Kennedy-Hawkins legislation, where then the youngster picks up these skills and has the ability to fill out a form or take down a person's request in a restaurant for dinner, or to be able to run the cash register, or whatever, he is not going to get those skills at $2.50 an hour. That is obviously going to be an establishment with the lowest possible denominator, and it will not entail an on-the-job education program, I assure you.

So we just feel that this is not the right direction, and it is not the moral direction one should go in, as well. And the illustrations in the past where they have been tried, and they have failed—Targeted Jobs Credit even there has failed, and the Rockefeller experiment, and others. We just feel that the cost is so great and so dangerous, that we simply feel there is no return whatsoever to be had, and if any money is to be spent on this, better it should be spent on the kinds of programs that work.

Senator PELL. I thank you very much indeed, Mr. Denison, for being here. I know the chairman regrets the length of time that the hearing took.

[Additional statements submitted for the record follow:]

National
Alliance of
Business

1015 15th Street, N.W.
Washington, D.C. 20005
202/457-0040

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InterNorth, Inc.
John E. Sloan, Jr.
National Federation of
Independent Business
Leon H. Sullivan
OICs of America, Inc.

May 21, 1985

Honorable Orrin G. Hatch
Chairman
Senate Committee on Labor and
Human Resources
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

I am writing on behalf of the National Alliance of Business to urge support for the Youth Employment Opportunity Wage of 1985 (S. 797).

The Alliance is an independent, business-led, non profit corporation whose mission is to increase private sector training and job opportunities for the disadvantaged and long-term partnerships of business, government, labor, education and community-based organizations. Preparing young people for productive jobs has been a special concern of the National Alliance of Business since its founding in 1968. We continue each year to coordinate, in cooperation with the White House, the summer jobs for youth campaign that encourages employers to hire needy youth. Much of our technical assistance and information dissemination activities are directed toward helping states and localities develop education and training programs that meet the special needs of at-risk youth.

We are only too aware of the intractable nature of youth unemployment — particularly for drop-outs and minorities, and young people in urban and rural poverty areas. Individuals from these groups who want to work typically face a 40 - 50 percent chance of going jobless. These figures exist while the economic prospects of other segments of the population have significantly improved. Youth unemployment is a national tragedy for which the affected individuals and society pay a high price.

The causes of these problems are complex and longstanding, and require many different strategies to combat them.

We strongly support programs such as the Job Training Partnership Act and the Targeted Jobs Tax Credit that are specifically designed to help disadvantaged youth obtain the qualifications required for productive jobs in the private sector.

Plan Now To Attend NAB's 17th Annual Conference — September 29-October 1, 1985 — Washington Hilton Hotel — Washington, D.C.

JTPA provides the base for a number of highly successful youth employability development and skill training programs across the country. Growing use of the Targeted Jobs Tax Credit shows the value of providing incentives to employers to hire individuals most in need of jobs. Nevertheless, these programs are not able to reach all who require support in entering the labor market.

The magnitude of youth unemployment warrants the careful consideration of multiple approaches including evaluating the effect of easing the minimum wage for youth on a limited basis. The youth opportunity wage has been studied and debated extensively. It is controversial. But we cannot afford to dismiss it.

The Administration's proposal has been carefully constructed: employers may pay youth 19 and under $2.50 per hour or about 75 percent of the current minimum wage without requiring the paperwork required under other programs for youth. The program is limited to the summer; it is not applicable to any youth employed by the employer at any time during the 90 day period to May 1 of that year. Employers would be severely penalized for the discharge, transfer or demotion of any employee not covered by the wage. Finally, the proposal is limited to a demonstration of three years.

The National Alliance of Business believes this proposal merits demonstration and close evaluation. We believe that there are significant numbers of young people who will be hired at the opportunity wage rate who would not otherwise be hired and that such a wage rate for youth could be a key factor in reducing unemployment levels for youth of low income families, particularly minorities. However, the extent to which this will take place and whether there would be any displacement of older workers will not be fully known until there is an adequate collection of data on the actual impact of a subminimum wage for young people.

We recommend several modifications to the proposal to provide further protections to both employers and employees who take part in this program.

(1) Most significantly, the legislation must require an annual assessment and evaluation of the program. Adequate funds must be appropriated by the Congress to ensure that this activity takes place. An impartial and critical evaluation of the youth opportunity wage rate is essential for any long term effectiveness and to ensure credibility with young people seeking employment.

(2) The legislation should contain a provision allowing for an early termination of the program if the yearly evaluation reveals program ineffectiveness or abuse.

(3) Grounds for employer sanctions should be clarified so as to provide adequate safeguards against their unjustified use. Employers may hesitate to hire at the opportunity wage if they fear sanctions would be misapplied without a thorough investigation of the circumstances.

(4) Finally, employers should be prevented from "double dipping," i.e., paying the youth opportunity wage and claiming the 85 percent tax credit under the Targeted Jobs Tax Credit summer youth provisions.

Disadvantaged and minority youth can no longer afford to be denied the value of a private sector work experience that is a key element to their future economic livelihood and to the nation's productivity. For this reason, I recommend that the Congress act favorably on a pilot demonstration of the youth employment opportunity wage.

Sincerely,

W. H. Kolberg

William H. Kolberg

NATIONAL
GROCERS
ASSOCIATION

Headquarters Office
1825 Samuel Morse Drive
Reston, Virginia 22090
(703) 437-5300

Public Affairs Office
1810 K Street, N.W., Suite 700
Washington, D.C. 20006
(202) [illegible]

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May 22, 1985

The Honorable Orrin Hatch
Chairman, Senate Committee on Labor
and Human Resources
U. S. Senate
Washington, D. C. 20510

Dear Senator Hatch:

On behalf of the National Grocers Association, I would like to take this opportunity to reflect our support for S. 797, the Youth Employment Opportunity Wage Act of 1985. As you are aware from our previous testimony before your Committee, the N.G.A. membership includes over 2,000 independent retail grocers, 62 wholesale distributors serving over 28,000 retail food stores, and 60 state and local associations. Our members serve consumers in all fifty states, and have been recognized by the Bureau of National Affairs as the "small business spokesman" for the food distribution industry. Your legislation, along with its companion bill (H.R. 1811), introduced by Representatives Trent Lott and Charles Stenholm in the House of Representatives, suggests a balanced and realistic effort to provide employment opportunities for youths between 16 and 19 years of age during the summer months. The N.G.A. believes that this legislation will allow for a valuable initial job experience and training during a time period where there is high demand in the labor force and a substantive need to provide worthwhile employment to our nation's young.

As we noted in our testimony before your Committee last year, the National Association of Retail Grocers (one of N.G.A.'s predecessor organizations) offered their support to similar legislation following a survey of its membership. The survey of 550 retail grocery enterprises, operating 2555 food stores which employed over 60,000 employees, disclosed that over 70% of the retail grocers had decreased their opportunities for teenage employment as a result of the dramatic increase in the minimum wage in the previous four years. A large number of retailers reported that they had been compelled to eliminate many of their traditional teenage employment opportunities.

S. 797 and H.R. 1811 will offer employers a real incentive to maintain, insure and develop employment options for teenagers in this critical age category. As one of the few dark spots in our growing economy, over 20% of our white teenagers are employed, and the corresponding rate for black teenagers is an almost incomprehensible 50%. This continuing and persistent level of high unemployment denies our young people vital experience in the work place and needed resources to contribute to their future. In addition, to ensure that our economy continues to grow and produce, we will need to support efforts such as these which provide teenagers the necessary responsibilities and benefits of gainful employment.

The Honorable Orrin Hatch
-Page Two-
May 22, 1985

While there are a plethora of federally-funded training and educational incentives which seek to provide the same opportunities, the private sector will continue to offer our youth, particularly minority youth, a far superior opportunity and a more meaningful work experience for the long term. It was with this realization that the National Conference of Black Mayors has joined other business groups and organizations in endorsing legislation for a summer youth opportunity wage.

Passage of this legislation is important to our nation's economy and well-being. If the N.G.A. can provide any further assistance, please do not hesitate to let us know. With best wishes,

Sincerely,

Thomas F. Wenning

Thomas F. Wenning
Executive Vice President
and General Counsel

TFW/cp

Statement of

The American Legion

1608 K STREET, N. W.
WASHINGTON, D. C. 20006

from

DAVID C. DANIELS, ASSISTANT DIRECTOR
NATIONAL LEGISLATIVE COMMISSION
THE AMERICAN LEGION

to the

LABOR AND HUMAN RESOURCES COMMITTEE
UNITED STATES SENATE

on

THE YOUTH EMPLOYMENT OPPORTUNITY WAGE ACT

May 22, 1985

Mr. Chairman and Members of the Committee,

The American Legion appreciates the opportunity to express its views in regard to the Youth Employment Opportunity Wage Act.

First, we wish to express our support for S. 797 and to thank the Chairman for his thoughtfulness in introducing this legislation. There is no question that youth unemployment rates have remained remarkably high, presently hovering around 20 percent, or more than twice the overall unemployment rate for this country. For minority youths the unemployment picture is considerably bleaker than for American youth in general. Reaching 45 percent or even up to 75 percent in certain areas of the country, minority youth face the highest hurdles in the quest to find available summer jobs. The danger in persistently high youth unemployment rates is that the unemployed low-skilled youth of today will become the discouraged, unskilled workers of the future with little hope for enhanced income potential and upward mobility. It is important to note the serious social ramifications of high unemployment. Youth are prevented from obtaining the training, skills and references required for future success in the labor market. Prolonged lack of employment leads to permanent labor market difficulties as the job seeker loses confidence and becomes discouraged. Studies show that the inability of youth to establish a work record is often linked to lower earnings in later years. There also exists a definite correlation between youth unemployment and juvenile crime rates. Conversely, valuable lifelong lessons are learned by employed youth who gain a sense of economic independence, responsibility and self esteem, even as they establish a bench mark in the dawn of their working careers.

Mr. Chairman, we have listened to the arguments of those opposed to a special summer wage for youth. The proposed legislation has adequate safeguards built in to discourage adult labor displacements by business in favor of teenagers. Besides the imposition of stiff penalties for displacing current employees, employers are simply not going to lay off permanent employees to hire an untried youth for the summer months.

We believe that passage of this youth wage bill will, rather than displace existing workers, create a substantial number of jobs. The Labor Department estimates that the subminimum wage proposal would create about 400,000 jobs which are desperately needed by America's youth. Based on the industry distribution of current minimum wage jobs, over 66 percent of the new jobs created would be in positions other than in eating and drinking establishments. New jobs would be born in businesses such as grocery stores, gasoline service stations, hotels, motels, and in the recreation and entertainment industries. It is probable that low-income youth, especially minorities, would benefit the most from an increase in summer jobs because studies show that such youth have shouldered the greatest reductions in employment due to the minimum wage.

While billions of Federal dollars have been expended on governmental youth programs, the rate of youth unemployment continues to rise. Congress appropriated about $824 million in FY 84 to create summer jobs for a total of 718,000 youth participants. It is important to note that while an estimated 400,000 real jobs would be created for youth in the private sector with the passage of this bill, it would involve no increase in the deficit of the Federal government.

With over 40 percent of minority teenagers out of work we believe the time has arrived to try the private market approach to creating jobs for America's youth.

In closing, we are encouraged by the broad consensus forming in support of the special summer youth wage. America's youth deserve an opportunity to exchange discouragement for hope and idleness for productivity.

Mr. Chairman, this concludes our statement.

American Farm Bureau Federation

WASHINGTON OFFICE
[illegible] MARYLAND AVE., S.W.
SUITE [illegible]
WASHINGTON, D.C. [illegible]
AREA CODE [illegible] · [illegible]

May 22, 1985

The Honorable Orrin G. Hatch
Chairman
Senate Labor and Human Resources Committee
428 Dirksen Senate Office Building
Washington, DC 20510

Dear Mr. Chairman:

Enclosed is a statement of the American Farm Bureau Federation regarding S. 797, the Youth Employment Opportunity Wage Act of 1985. We ask that our statement be included in the hearing record.

Respectfully,

John Datt

John C. Datt
Executive Director
Washington Office

JCD/lh
Enclosure
cc: Committee Members

STATEMENT OF THE
AMERICAN FARM BUREAU FEDERATION
TO THE SENATE COMMITTEE ON LABOR AND HUMAN RESOURCES
REGARDING S. 797,
YOUTH EMPLOYMENT OPPORTUNITY WAGE ACT OF 1985

May 22, 1985

The American Farm Bureau Federation is the nation's largest general farm organization with a current membership of more than three million families in 48 states and Puerto Rico who are members of 2,762 County Farm Bureaus. Farm Bureau is a bi-partisan organization supported entirely by dues voluntarily paid each year by individual member families. Farm Bureau members include at least 75 percent of the commercial farming operations in the country and an even higher percentage of the 900,000 agricultural employers. Farm Bureau is thus one of the largest, if not the largest organization of employers in this country.

Hired farm workers account for about 35 percent of the average annual employment on farms, with most farm work still performed by farm owners and operators and members of their families. The number of hired farm workers ranges from 2.5 to 2.8 million. That number has held steady for the last five years, but the total employment on farms has been going down due to increases in labor productivity. Thus, the percentage of total farm work done by hired workers has been increasing and is expected to continue along that trend.

Based on 1979 data, the majority of hired farm workers are employed on a casual (less than 25 days) or seasonal (25 to 149 days) basis. Almost three-fourths of them work less than 150 days, due in large measure to the fact that fruit and vegetable production and certain other commodities require large numbers of seasonal or temporary workers during peak periods of harvest. Many of the casual and seasonal workers are students who work only a few weeks a year.

According to the November 20, 1984, Farm Labor Report of the U.S. Department of Agriculture, the average wage rate for all hired farm workers was $4.56 per hour. For those paid on an hourly basis, the rate was $4.45, and those paid on a piece-rate basis $5.32. Approximately 49 percent of all hired farm workers receive employment benefits other than wages. When hourly wages and benefits are taken together, the effective wage costs are probably $7.00 per hour or more. The value of perquisites represents 15 percent of the total farm and ranch labor expenditures. In total, the cost of hired labor on farms represents one of the largest cost inputs in agricultural production, now about $12 billion annually.

Farm Bureau policy on the federal minimum wage is quite explicit:

> "We favor repeal of the federal minimum wage. We oppose further extension of the minimum wage law for agriculture and any attempt to index the minimum wage. We call upon the Congress to amend the present Fair Labor Standards Act to exempt minors from the minimum wage law or provide for a youth differential."

Accordingly, Farm Bureau favors enactment of S. 797, although we would prefer that the bill go much further to either entirely exempt persons under 19 from the minimum wage requirement or take the federal government out of the business of setting a minimum wage. We are convinced that it is not only an unnecessary extension of the regulatory power of the central government, but is counterproductive to employers, employees and the economy as a whole. Minimum wage rates increase unemployment in rural areas and put U.S. farm products at a competitive disadvantage in the world market.

We fully understand the nature of the problem that prompts the introduction and consideration of this legislation. Not only is the country still suffering from an unemployment rate that is too high, but the unemployment rate among those under 19, and particularly among those who are black or hispanic, is a national problem that needs sound economic policy attention by the Congress.

Additionally, the Congress needs to take into consideration the fact that young persons need to learn about work early in their lives. Young people are not born productive. They must be trained. Private employers contribute substantially to the productive training of rural and urban young people. We have no doubt that teenage idleness and boredom is a major factor in teenage delinquency and crime. Most young people want to work and need to work. Unnecessary regulatory barriers to such work experience should be removed.

There are two basic schools of thought as to what should be done about the problem. One school advocates greatly increased expenditures of federal and other public funds to generate make-work jobs in the public sector, or to increase federal expenditures, such as in the area of the public works that would create more jobs in the private sector. The other school, while not denying some need for increased expenditures for highways, bridges and other such public works, believes that the high unemployment rate can be reduced by reducing the regulatory restraints and economic disincentives for private employers to take the risks of hiring unskilled young people. Farm Bureau favors the latter school. With federal nondefense domestic spending out of control and threatening the continued growth of a healthy economy, it is not the time to think in terms of more spending in the public sector. Fundamentally, the public sector cannot "crate" jobs. It can only shift jobs from one sector to another. Jobs can only be created by a growing noninflationary economy.

Farmers and ranchers are already employing many thousands of persons under the age of 19. They would employ many more if this bill is enacted. In many instances, farmers and ranchers are reluctant to employ teenagers because of the necessity to pay the full minimum wage for each hour worked. A large number of such teenagers are inexperienced and have not learned the basic skills involved in the harvest of crops and other jobs in agriculture. It often takes two to four weeks before such workers become proficient and productive on the job.

Unlike the jobs in most other industries, a large percentage of the seasonal workers in agriculture are paid on a piece-rate basis. While agricultural employers who hire more than 500 man-days of labor during any quarter are required to pay at least the minimum wage, that is no real problem with experienced workers, since they will normally earn far more than the required minimum. If an agricultural employer is forced to pay the full minimum wage to an inexperienced worker, he will likely refrain from hiring such inexperienced workers as long as he has a choice. He will substitute machinery for labor wherever possible.

While this bill provides for a youth minimum wage of $2.50 or 75 percent of the applicable minimum wage, most of the young persons hired in agriculture would earn far more than that minimum and far more than the minimum for adults, particularly after being on the job for two to four weeks. This means that young workers who have work experience in agriculture would not have their wages reduced by the provisions of this bill.

This bill also deserves support for the careful way in which it has been drafted so as to protect against adverse impact on adult workers. Because the employment period for the youth minimum wage is restricted to the period each year between May 1 and September 30, and because the language makes it clear that no employee's wages would be reduced due to the enactment of the bill, nor any adult be discharged to employ a lower-paid young person, the normal objections to this legislation have been rendered meaningless.

Fundamentally Congress must recognize that when the price of any product or service is held artifically high in relation to the market, we end up with a surplus. Surplus agricultural production at a government-guaranteed price is a good example. In labor, it means high teenage unemployment and underutilization of the nation's most vaulable resource -- its youth.

We urge the members of this Committee to take action promptly to send S. 797 to the floor of the Senate and that the full Senate act promptly to pass the bill.

Statement submitted by Bernard Anderson

Subminimum wage again: Still a bad idea

The Philadelphia Inquirer
Op-ed
Tuesday, April 16, 1985
19-A ♦

By Bernard E. Anderson

The summer months are approaching, and once again, the Reagan administration has submitted legislation to Congress for a subminimum wage to reduce teenage unemployment. The available evidence, however, suggests that a subminimum wage would reduce neither overall youth unemployment nor minority youth unemployment in particular. A subminimum wage is bad economic policy and abominable social policy.

Many economists argue that the minimum wage greatly reduces youth employment, and is especially harmful to minority group teenagers. And indeed, youth unemployment has drifted upward during past decades as the federal minimum wage rose to the current level of $3.35 an hour. But to attribute the increase in youth unemployment entirely to the increase in the minimum wage would be like suggesting the Villanova University NCAA basketball championship was generated by the enthusiasm of Wildcat fans. That helped, but obviously, other factors also were involved.

The rise in teenage unemployment has been influenced by the dramatic increase in the size of the youth and female labor forces, declining number of semi-skilled jobs in urban areas, and the changing technology of production. Rising teenage unemployment also is related to the upward drift of unemployment for the labor force as a whole, which averaged 4.8 percent during the 1960s, 6.2 percent during the 1970s, 8.3 percent since 1980.

Labor market studies conducted during the last six years cast considerable doubt on the potential for a subminimum wage to generate more private sector jobs for disadvantaged youth. In 1980, the congressionally mandated Minimum Wage Study Commission reported the results of its carefully conducted research on the effects of the minimum wage on youth employment and concluded that a subminimum wage would not reduce teenage unemployment significantly and would do little to increase jobs among minority group teenagers.

The experience under the Youth Incentive Entitlement Employment (YIEE) program supported by the U.S. Department of labor from 1978 through 1980 also argues against a youth wage. Under the entitlement program, employers were reimbursed for all wage and benefit costs for hiring economically disadvantaged teenagers who agreed to remain in, or return to school. The private sector hired only 21 percent of the 76,000 youths employed in the 17 communities in which the program operated. If private sector employers are reluctant to hire youths at no cost, it is difficult to believe substantially more jobs will be created simply by reducing the minimum wage.

Those who are sympathetic to the youth wage suggest it should be tried temporarily to see what happens. But experiments have already been done, and results are disappointing.

In the last year of the YIEE, a demonstration project designed to test the effectiveness of different subminimum wages was conducted in Baltimore and Detroit. It showed that only one in 10 employers eligible to hire teenagers at 25 percent of the minimum wage — and only one in 20 eligible to hire them at 50 percent of the minimum — actually hired low-income youth. Only about 18 percent of the firms eligible for a 100 percent wage subsidy hired a low-income teenager. To be eligible, the firms simply had to operate businesses within reasonable transportation distance from where the youth lived.

Many suggest that youths should be employed at the subminimum wage to give them the training and experience necessary to increase their productivity. Regrettably, many youths come out of school with little command over the basic skills in reading, writing and computation.

Many also have little knowledge of the job market and how to find a job. But no education, and little useful training and experience can be obtained in the marginal, dead-end jobs likely to be filled by teenagers hired at the subminimum wage level.

Advocates of the subminimum wage say heavy fines can be imposed on employers who fire adults to hire youths during a test of the new wage policy. But who will enforce the penalty when current minimum wage investigators are shorthanded because of recent agency budget cuts?

The Job Training Partnership Act, implemented by local private industry councils, hold much more promise of providing the kind of training and work experience youths need to get a foothold in the job market. Initiatives such as the summer youth employment program that hired more than 20,000 youth in Philadelphia in 1984, the Boston Compact, Jobs for America's Graduates, now operating in 400 high schools, and other public/private partnership efforts to hire and train youths demonstrate that important gains can be made to get youths into private sector jobs under current employment and training policies. Programs like these should be supported and expanded.

The national policy objective should be to elevate low-skilled youths to a point where they can earn a decent wage, not diminish our wage standards on the erroneous claim that to do so will lower the teenage unemployment rate.

(Bernard E. Anderson is a visiting fellow of public and international affairs at Princeton University and a member of the Board of the Urban Affairs Partnership.)

Senator Pell. I wish you well, and the hearing is now adjourned.

[Whereupon, at 1:50 p.m., the committee was adjourned.].

○